DonAgro

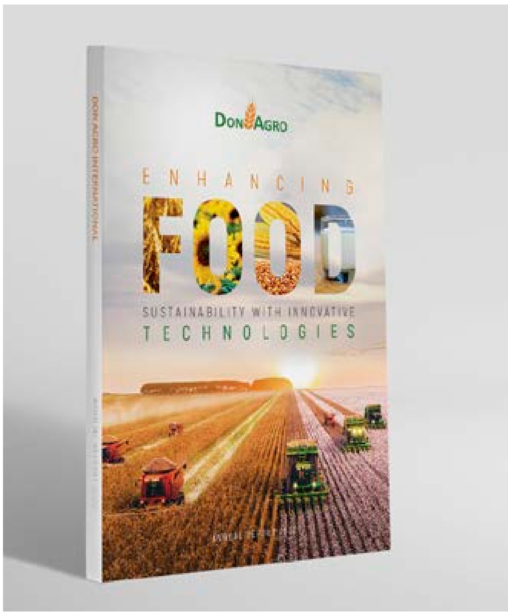
# ENHANCING FOOD

## SUSTAINABILITY WITH INNOVATIVE TECHNOLOGIES

ANNUAL REPORT 2022

# TABLE OF CONTENTS






Cover design depicts the Group's businesses with isometric illustrations together with design elements that will bring up the technology and innovation aspect of Don Agro in furthering its business and operations for long-term sustainability.






This annual report has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Joseph Au, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.

# CHAIRMAN'S MESSAGE

**Dear Shareholders,**

On behalf of the Board of Directors (the "Board") of Don Agro International Limited (the "Company" or "Don Agro") and its subsidiaries (collectively the "Group"), it is my pleasure to present you with our annual report for the financial year ended 31 December 2022 ("FY2022").

2022 was a challenging year for the whole world. Not only businesses but entire countries were forced to build up their supply chains from scratch, seek new partners and clients, and re-create development strategies.

Don Agro was no exception. We had our ups and downs and, even though our supply chain was not majorly disrupted, the Group faced serious challenges. Nonetheless, our resilient income base and diverse business operations enabled us to weather the storms.

Our Company is not just one of the producers of goods in demand on the market - it is one of the elements of ensuring global food security, since our products are vital for those who consume them. That is why we perceive our work as the fulfillment of an important civilizational and humanitarian mission.

Below, we outline the Group's financial performance and provide a brief overview of our business operations.

## ALL-TIME RECORD HARVEST AND GLOBAL OUTLOOK

In FY2022, the Group reached a key milestone: an all-time record winter wheat harvest of 89,108 tonnes, which is 23.3% growth yoy. Over the years, we have been expanding our land bank and improving yields, with the single goal of producing bigger harvests.

Russia continued as the world's biggest wheat crop producer with a 153.8 million grain harvest, out of which 104.4 million comprised wheat harvest in 2022, according to Rosstat[1]. The US Department of Agriculture (USDA) calculated Russian wheat production in the previous year at 91.0 million tonnes[2]. Nevertheless, this record harvest, together with the geopolitical situation, caused dramatic global wheat price volatility.

Several factors pushed wheat prices back to early 2022 levels.

In addition to ongoing events in the Commonwealth of Independent States (CIS) countries, world commodities markets were shaken again by the Indian government's decision to ban wheat exports. Prices for fertilizers, machinery and other equipment required for wheat production shot up alongside the Food Price Index.

[1] https://interfax.com/newsroom/top-stories/88152/
[2] https://www.uswheat.org/wheatletter/wheat-prices-trend-lower-even-as-uncertainty-continues/
[3] https://www.uswheat.org/wheatletter/wheat-prices-trend-lower-even-as-uncertainty-continues/
[4] https://www.fao.org/worldfoodsituation/foodpricesindex/en/

Winter wheat has been Don Agro's main source of profit over the years but we now need to get used to the everchanging economy. In 2023, the Group purchased a flour production equipment with a total annual capacity of 13.0 thousand tonnes of flour.

**EVGENY TUGOLUKOV**
**Executive Chairman**

# CHAIRMAN'S MESSAGE

Yet, in July 2022, when Russia and Ukraine, supported by the United Nations and Turkey, agreed to the Black Sea grain corridor, wheat futures eased 37% from 2022 spring highs[3].

The FAO Food Price Index* (FFPI) averaged 129.8 points in February 2023, marginally down (0.6%) from January, continuing its downward trend for the eleventh consecutive month. With the latest decline, the index has fallen 29.9 points (18.7%) from its peak in March 2022[4].

The Group has, under the Group's competent management, coped with these challenges in relation to wheat prices crisis by cultivating different crops such as corn and sunflower, and also by producing raw milk.

The Group's FY2022 revenue increased by approximately $7.0 million or 22.6% as a result of increased revenues from sale of sunflowers harvested in FY2021 and of milk and livestock.

At the same time, the drop in agricultural produce prices due to a peak harvest in the Russian Federation and 27.7% increase in cost of sales from approximately $29.0 million in FY2021 to approximately $37.0 million in FY2022 caused significant drop in the Group's gross profit.

## GETTING READY FOR NEW CHALLENGES

Understanding the falling trend on the global grain market, the Group decided to explore other growth opportunities.

Winter wheat has been Don Agro's main source of profit over the years but we now need to get used to the everchanging economy. In 2023, the Group purchased a flour production equipment with a total annual capacity of 13.0 thousand tonnes of flour.

This purchase will enable the Group to be flexible in deciding whether to sell grain to traders or to mill it into flour.

The global wheat flour market was USD 155.08 billion in 2020 and is projected to grow from USD 160.66 billion in 2021 to USD 210.77 billion by 2028, exhibiting a CAGR of 3.95% during the 2021-2028 period[5].

With higher prices per tonne of flour compared to 12.5% protein wheat and the lower worldwide shipping costs, producing flour will provide the Group with an opportunity to enter the markets of the South-East Asia and MENA countries.

For example, the Middle East and Africa wheat gluten market is expected to grow in the forecasted period of 2022 to 2029. Data Bridge Market Research analyzed that the market will be growing with a CAGR of 5.1% in the forecasted period of 2022 to 2029 and is expected to reach USD 108.14 million by 2029 from USD 73.71 million in 2021[6].

Another new opportunity for Don Agro to grow is cultivation of new kinds of crops. The Group has decided to allocate approximately 6.1 thousand hectares of land to produce barley, peas, lentils and chickpeas. The Company will start sowing these crops in April-May 2023.

These crops, along with wheat, are among the main sources of plant-based protein.

According to a World Health Organization report[7], the trend for people to shift towards plant-based diets is increasing rapidly. Such diets are widely associated with a lower risk of premature mortality and offer protection against noncommunicable diseases (NCDs). So, diversifying the Group's crops is one more step toward sustainable development of society.

[5] https://www.fortunebusinessinsights.com/wheat-flour-market-106313
[6] https://www.databridgemarketresearch.com/reports/middle-east-and-africa-wheat-gluten-market
[7] https://www.who.int/europe/publications/i/item/WHO-EURO-2021-4007-43766-61591

# CHAIRMAN'S MESSAGE

## SUSTAINABILITY

Despite all the difficulties and challenges we faced in FY2022, the Group continued its activities towards sustainable development and achievement of Environmental, Social and Governance (ESG) goals.

The Group, has on 30 December 2022, issued the first Sustainability Report for FY2021 and implemented new green-tech solutions.

We installed a new solar power plant that is expected to reduce our carbon emissions by 20.7 tonnes a year: 72 high-efficiency solar batteries with a capacity of 32 kilowatts ("kW") generate 39,000 kilowatt-hours ("kWh") annually.

Sustainability is a top priority for our team. So, for several years now, we have been implementing technologies to reduce our impact on the environment. We were among the first in the Rostov Region to use the no-till farming method, which prevents soil erosion and reduces the exhaust gases emitted by the vehicles.

Green energy is the logical next step in implementing our ESG strategy as it reduces not only environmental damage but also financial costs in the long term. Don Agro has no intention of halting its sustainability efforts and will continue to explore methods for making further improvements.

The Group has also quadrupled the area sown to organic wheat and increased the no-till farming acreage to 7.6 thousand hectares. In 2023, we expect to undergo organic wheat certification. If all the tests prove that no fertilizers and pesticides were used, the Group will be able to sell its first organic wheat harvest.

The Board is confident that the Group will be able to fulfil its near-term obligations, including bank loans and payables to suppliers. Considering current geopolitical situation and the falling trend on the global grain market, in order to conserve the Group's liquidity, in the interests of both the Group and shareholders, the Board is not recommending a final dividend for FY2022.

## APPRECIATION

On behalf of the Board, I would once again like to extend our heartfelt gratitude to all shareholders who have come on this growth journey with us.

I also want to thank our management team and employees for your dedication and commitment to the Group's success; to our business partners and bankers, for the strong partnership and co-operation you have extended to us; and to our customers, for your continued faith and confidence in us. To our fellow Board members, we look forward to receiving your wise counsel and guidance in corporate governance as we grow as a listed company.

We have come a long way since our humble beginnings and we owe our success to everyone who has contributed in one way or another. We look forward to your continued support as we aim for greater heights together.

**EVGENY TUGOLUKOV**
*Executive Chairman*
14 April 2023

# BOARD OF DIRECTORS

## EVGENY TUGOLUKOV
*Executive Chairman*

Evgeny Tugolukov is our Executive Chairman. He was appointed to our Board on 28 November 2018 (re-elected on 29 April 2021) and is responsible for setting and executing the strategic directions and expansion plans for the growth and development of our Group.

He has over 20 years of experience holding top management positions in various financial and industrial groups. Evgeny Tugolukov began his career in 1993 when he joined MDM Bank, one of the largest private banks in Russia, before going on to build up and manage several sizable holdings. In 2005, he formed EMAlliance Public JSC ("EMAlliance") where he served as chairman of the board of directors until 2007, developing it into one of Russia's largest power machine-building companies. In 2008, he founded Strongbow Investments Pte Ltd ("Strongbow"), a Singapore-incorporated international holding company with a diverse range of investments in the areas of high-tech start-ups, entertainment, healthcare, real estate development and agriculture, and a strong geographical focus on Southeast Asia, Russia and Eastern Europe. He has been the managing director of Strongbow since 2012. From 2007 to 2011, Evgeny Tugolukov was a Member of Parliament of the State Duma of the Russian Federation, as well as the Chairman of the State Duma Committee on Natural Resources. He was also an honorary business representative with Enterprise Singapore, promoting bilateral trade and business relations between Singapore and Russia from 2014 to 2018. Evgeny Tugolukov graduated with a Diploma in Economics and Management from the Ural Federal University in 2000.

## MARAT DEVLET-KILDEYEV
*Chief Executive Officer and Executive Director*

Marat Devlet-Kildeyev is our Chief Executive Officer and has been with our Group since 2012 (re-elected on 29 April 2022), when he was the chairman of the board of Don Agro JSC and Don Agro LLC. He became the general director of Don Agro LLC in 2014 and chief executive officer of Happy Cow in 2015. In 2017, he became the President of Don Agro LLC, in which capacity he was responsible for developing relationships with potential investors and foreign partners as well as evaluating foreign capital markets. He took on the same role in Tetra JSC in 2018 and was appointed to our Board on 28 November 2018. As Chief Executive Officer, he is responsible for directing and controlling the operations of the Group and its key operational subsidiaries. Marat Devlet-Kildeyev joined Barclays Bank of Canada in 1993 (which was subsequently acquired by Hong Kong Bank of Canada in 1995) where he was deputy treasury manager and head of leasing. He then joined Renaissance Capital Limited in 1998 as head of risk management and then chief financial officer for the company, before becoming the first deputy general director of the Renaissance Insurance Group LLC in 1999. He then joined a media company, Afisha Industries CJSC, as general director in 2001 before joining an investment holding company Rinaco JSC, as managing director in 2003. He subsequently joined a Rinaco JSC-managed engineering company, TKZ Management LLC, as general director in 2005, and EMAlliance as first deputy general director in 2005. In 2006, he became the chief operating officer of power and energy-focused, ESN JSC. He then joined an Aegis Media Russia-related media company, O.K Solutions LLC, as general director from 2007 to 2008, before joining the Moscow representative office of CTC-Media. Inc. as deputy general director and head of international broadcasting in 2009 until 2012. In 2013, he joined ProdAlliance Limited, which was managing the business of our Group, as head of representative office until 2018. Marat Devlet-Kildeyev graduated with a Diploma in Russian Linguistics and Teaching Russian for Foreigners from the Leningrad State University in 1987 and received his Master of Business Administration degree from the University of Toronto Faculty of Management in 1993.

## RAVI CHIDAMBARAM
*Lead Independent Director*

Ravi Chidambaram is our Lead Independent Director and was appointed to our Board on 28 June 2019 (re-elected on 29 April 2021).

He is currently the president of investment banking firm, TC Capital Pte. Ltd. Ravi Chidambaram started his career as a financial analyst in the investment banking division of Kidder, Peabody & Co. in 1986. In 1989, he left to join Commerzbank AG as a credit officer in the international division, sovereign risk unit until 1991. In 1993, Ravi Chidambaram was an associate in the corporate finance department of Goldman Sachs until 1996 when he joined Deutsche Bank as a director in the investment banking group. In 1998, he joined Credit Suisse Securities (Europe) Limited as a director in the European telecommunications investment banking group until 1999 when he became a managing director of Bear Stearns and was head of the European technology investment banking group. Ravi Chidambaram left Bear Stearns in 2001 and became the president of TC Capital Pte. Ltd. in 2002. Ravi Chidambaram graduated with a Bachelor of Arts in Political Economy from Duke University in 1985 and was a Fulbright Scholar in Political Science at Kiel University from 1985 to 1986. He obtained his Master of Business Administration and Master of Arts degrees at the Wharton School and the Lauder Institute of the University of Pennsylvania in 1993.

# BOARD OF DIRECTORS

## TAN HAN BENG
*Independent Director*

Tan Han Beng is our Independent Director and was appointed to our Board on 28 June 2019 (re-elected on 29 April 2022).

He is a Chartered Accountant (Singapore) with more than 20 years of professional financial experience. He is currently a Senior Vice President, Corporate Finance at UOB Kay Hian Pte Ltd. He is a Registered Professional licensed by the Singapore Exchange and also holds a Capital Markets Financial Advisory Services license issued by the Monetary Authority of Singapore. Han Beng was also with a Big Four accounting firm where he performed and led numerous financial, internal and special audit engagements.

## EDWIN THAM SOONG MENG
*Independent Director*

Edwin Tham Soong Meng is our Independent Director and was appointed to our Board on 28 June 2019 (re-elected on 24 June 2020).

He is currently a consultant on English law and honorary partner at Danilov & Partners, as well as a general director of Kerensk Farm LLC, a property holding company. Edwin Tham Soong Meng joined Allen & Overy in 1997 as an associate where he was promoted to become the managing partner of the Moscow office and head of the global Russia practice group in 2011. He left Allen & Overy in 2015 before joining Danilov & Partners in the same year. Edwin Tham Soong Meng graduated with a Bachelor of Laws with Honours from the University of Nottingham in 1988 and is qualified as an English barrister-at-law and solicitor, Singapore advocate and solicitor and New York attorney.

# KEY MANAGEMENT PERSONNEL

**Artur Nazaryan** is our Chief Financial Officer and is responsible for the finance, accounting and taxation matters of our Group and has also been the Financial Advisor to Don Agro LLC since 2014.

Artur Nazaryan began his career in 2004 as an accountant in the receivables department of Zaslon LLC, where his responsibilities included controlling accounts receivables ledgers and preparing presentations for potential customers. He moved to CJSC KPMG's audit department in 2007 as auditor and audit supervisor, where he supervised audit and financial consulting engagements and prepared financial models and financial statements. In 2013, he joined Guardian Glass Rostov LLC, a float glass production company, as head of finance and was in charge of all manner of finance, including taxation, reporting, cash flow and working capital management and the development of management accounting systems. In 2014, he became the chief financial officer of ProdAlliance Limited until 2018. Artur Nazaryan graduated with Specialist Diploma in Organisation Management from the Southern Federal University in 2008. He has also been a member of the Association of Chartered Certified Accountants (ACCA) since 2015.

**Vadim Novikov** is our Chief Operating Officer and is responsible for overseeing the entire operations of our Group and has been the General Director of Tetra JSC and Don Agro JSC since 2012 and 2014, respectively. Vadim Novikov started his career in 2001 as a legal counsel at Law Firm JSC JurCon, a local Russian law firm specialising in advising corporate clients in the power and energy sectors. He moved to an investment company, JSC Rinaco, as a legal counsel in 2003, and provided legal support in corporate and share capital transactions. In 2005, he joined EMAlliance where he was legal counsel, head of corporate and deputy head of tax and legal. Thereafter, Vadim Novikov joined ProdAlliance Limited in 2013 as legal counsel providing legal support for its investment activities until 2018. Vadim Novikov obtained his Diploma with Honours in Law from the Ural State Law University (formerly known as Ural State Law Academy) in 2001.

# FINANCIAL REVIEW

## FINANCIAL PERFORMANCE REVIEW

### REVENUE

The revenue for the financial year ended 31 December 2022 ("FY2022") increased by approximately $7.0 million or 22.6%, from $31.0 million for the financial year ended 31 December 2021 ("FY2021") to $38.0 million in FY2022. The increase is attributable to: (i) increase in the revenue from sale of crops of approximately $4.0 million due to higher volume in sale of sunflower harvested in FY2021 which was partly offset by a decrease in revenue from sale of winter wheat due to a significant portion of harvested crops not sold within the financial year in anticipation of higher prices in the next financial year; and (ii) increase in the revenue from sales of milk and livestock of approximately $3.0 million due to an increase in the price of milk.

### COST OF SALES

The cost of sales increased by approximately $8.0 million or 27.7% from approximately $29.0 million in FY2021 to approximately $37.0 million in FY2022. The increase in the cost of sales is mainly attributable to: (i) higher volume in sale of sunflower harvested in FY2021 and sold in FY2022; (ii) significant increase in price of seeds, fertilizers and spare parts in March 2022; and (iii) significant increase in a crop yield, resulting in more manpower and agriculture machinery and equipment needed. The above listed factors had the following impact: (i) an increase in biological assets sold of approximately $4.4 million, (ii) an increase in wages and salaries of approximately $1.5 million due to increase in the productivity wages per person in line with the higher crop yield in FY2022; and (iii) an increase in growing and harvesting costs of approximately $0.5 million due to higher volume of agricultural produce harvested.

Other reasons of higher cost of sales include (i) an increase in depreciation of $0.8 million, due to additions of the harvesters, the tractors and another agricultural equipment; and (ii) other costs of approximately $0.4 million as a result of increase in repair costs due to the increase in price of spare parts.

### GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

The gain from change in fair value of biological assets and agricultural produce decreased by approximately $8.2 million or 82.8% from a gain from change in fair value of approximately $9.9 million in FY2021 to a gain from change in fair value of approximately $1.7 million in FY2022. The decrease is mainly attributable to an decrease in the gain from change in fair value of crops in FY2022 of approximately $11.2 million due to (i) a decrease in the prices of agricultural produce due to a peak harvest in Russian Federation and (ii) a decrease in winter wheat's harvest area for next year's harvest due to unfavourable weather conditions, which was partly offset by

the increase in the gain from change in fair value of livestock in FY2022 of approximately $3.0 million, mainly due to (i) the increase in milk price, (ii) increase in a length of lactation period and (iii) decrease in feed costs due to decrease in prices of agricultural produce.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit decreased by approximately $9.4 million from approximately $11.9 million in FY2021 to approximately $2.5 million in FY2022. The decrease is mainly attributable to (i) increase in cost of sales of approximately $8 million mainly due to (a) an increase in sales volume of sunflower harvested in FY2021 and (b) increase in inventory's prices; higher manpower costs, depreciation costs and repair costs; and (ii) significant decrease in the gain from change in fair value of biological assets and agricultural produce of approximately $8.2 million. The decrease was partially offset by: (i) increase in the revenue from sale of crops of approximately $4.0 million, due to higher volume in sale of sunflower harvested in FY2021 which was partly offset by a decrease in revenue from sale of winter wheat due to significant portion of harvested crops not sold within the financial year in anticipation of higher prices in the next financial year; and (ii) increase in revenue from livestock and milk sales by approximately $3.0 million due to increase in milk's price.

## BARGAIN PURCHASE FROM ACQUISITION OF SUBSIDIARY

The bargain purchase from acquisition of subsidiary decreased by $2.6 million or 100% in FY2022 due to the acquisition of subsidiary LLC Rav Agro-Rost in FY2021. For details, please refer to note 6 of Notes to the Consolidated Financial Statements in the Independent Auditor's Report.

## OTHER OPERATING INCOME, NET

Other operating expenses, net decreased by approximately $0.3 million or 101.4% from other operating income of approximately $0.3 million to other operating cost of approximately $4,000. The decrease in mainly attributable to a decrease of approximately $0.4 million due to VAT reinstatement after obtaining regional subsidies for cost reimbursement and write-of other non-refundable VAT which was partly offset by the increase in government grants received of approximately $0.2 million due to increase support for agricultural producers from the Ministry of Agriculture.

## FINANCE COSTS, NET

Finance cost/income, net increased by $0.1 million or 12.6% from finance cost of approximately $0.8 million in FY2021 to finance costs of approximately $0.9 million in FY2022. The increase is mainly attributable to increase in interest costs of approximately $0.4 million in March-April 2022 on the back of higher interest rates. This increase was partly offset by the increase in compensation grant for finance cost received from the government of approximately $0.3 million.

# FINANCIAL
# REVIEW

## BALANCE SHEET REVIEW

### NON-CURRENT ASSETS

**Property, Plant And Equipment**
Property, plant and equipment increased significantly in FY2022 by $9.7 million mainly due to (i) additions of the harvesters, the tractors and another agricultural equipment of approximately $4.4 million and (ii) revaluation of land plots of approximately $8.8 million, which is offset by (a) depreciation of approximately $2.8 million and (b) loss on movements in exchange rate amounting to approximately $0.6 million.

**Right-Of-Use Assets**
Right-of-use assets decreased by approximately $1.5 million or 25.0% from approximately $6.0 million as at 31 December 2021 to approximately $4.5 million as at 31 December 2022. The decrease is mainly due to decrease in agricultural produce prices and the decrease in depreciation of right-of-use assets.

**Biological Assets**
Non-current biological assets comprised mainly livestock and permanent grasses. Non-current biological assets increased by approximately $3.2 million as at 31 December 2022 mainly due to the increase in fair value of livestock due to an increase in milk price and length of lactation period.

# FINANCIAL REVIEW

## CURRENT ASSETS

**Biological Assets**
Current biological assets comprised Current biological assets comprised mainly unharvested crops. Current biological assets decreased by approximately $1.0 million in FY2022 due to (i) a decrease in the prices of agricultural produce due to a peak harvest in Russian Federation and (ii) a decrease in winter wheat's harvest area due to unfavourable weather conditions.

**Inventories**
The Group's inventories increased by approximately $2.8 million or 16.0% from approximately $17.5 million as at 31 December 2021 to approximately $20.3 million as at 31 December 2022, due to increase in the agricultural produce in anticipation of better selling price in the next financial year onwards.

**Trade And Other Receivables**
Trade and other receivables comprised mainly trade receivables from external parties, advances paid to suppliers, tax receivable and prepaid listing expenses. Trade and other receivables decreased by approximately $0.5 million or 14.7% from approximately $3.4 million as at 31 December 2021 to approximately $2.9 million as at 31 December 2022. This was mainly due to a decrease in advances made to suppliers, as a result of settlement with suppliers, which was partly offset by the increase in VAT receivables as a result of the settlement with tax authorities and expectation VAT refund in FY2023.

**Cash And Cash Equivalents**
Cash and cash equivalents comprise petty cash, bank balances and short-term bank deposits. Cash and cash equivalents decreased by approximately $3.6 million or 52.9% from approximately $6.8 million as at 31 December 2021 to approximately $3.2 million as at 31 December 2022. Please refer the section entitled "Cash Flow Analysis" below for further information.

## NON-CURRENT LIABILITIES AND CURRENT LIABILITIES

**Loans and borrowings**
The borrowings mainly relate to the amount borrowed by our Group from banks and loans from third parties. The Group's borrowings decreased by approximately $0.6 million or 8.8% from approximately $6.8 million as at 31 December 2021 to approximately $6.2 million as at 31 December 2022. This is mainly attributable to the repayments of borrowings of approximately $11.5 million by the Group. This was partially offset by an increase in new borrowings of approximately $10.8 million in FY2022 for acquisition of supplies and new agriculture equipment, for construction of the warehouses for the storage of the agricultural produce and for working capital financing.

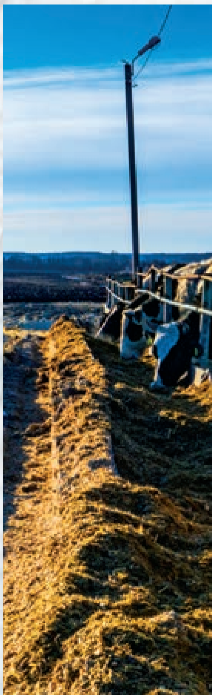
# FINANCIAL REVIEW

**Lease liabilities**
The lease liabilities mainly relate to the lease arrangements for agricultural equipment and land plots. The Group's lease liabilities decreased by approximately $1.0 million from approximately $6.5 million as at 31 December 2021 to approximately $5.5 million as at 31 December 2022. This is attributable to the decrease in agricultural produce price.

**Deferred tax liabilities**
Deferred tax liabilities mainly relate to deferred tax from revaluation of the land. Deferred tax liabilities increased by approximately $1.6 million from approximately $4.2 million as at 31 December 2021 to approximately $5.8 million as at 31 December 2022 due to increase of revaluation the free-hold land.

**Trade and other payables**
Trade and other payables comprised advances received from customers, taxes payables other than on income tax, accrued payables to employees and dividends payable.

The trade and other payables increased by approximately $3.7 million or 127.6% from approximately $2.9 million as at 31 December 2021 to approximately $6.6 million as at 31 December 2022. The increase is mainly attributable to an increase in advances received from customers of approximately $3.9 million for agricultural produce.



# FINANCIAL REVIEW

## CASH FLOW ANALYSIS

### NET CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities amounted to $1.5 million in FY2022 and it is consistent with FY2021, amounted to $1.4million.

### NET CASH FLOWS USED IN INVESTING ACTIVITIES

Cash flows used in investing activities of $3.9 million was mainly due to (i) proceeds from sale of property, plant and equipment $0.2 million, (ii) proceeds from interest received of $0.3 million and (iii) outflow from purchase of property, plant and equipment of $4.4 million.

### NET CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities amounted to approximately $1.7 million, which was mainly attributable to (i) repayment of borrowings of approximately $11.5 million in relation to the bank loans, (ii) interest paid of approximately $0.6 million, (iii) repayment of finance lease of approximately $0.3 million and (iv) proceeds from borrowings of approximately $10.7 million. As a result of the above, cash and cash equivalents decreased by approximately $3.6 million during FY2022. Cash and cash equivalents as at 31 December 2022 amounted to $3.2 million.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Evgeny Tugolukov**
*(Executive Chairman)*

**Marat Devlet-Kildeyev**
*(Chief Executive Officer and Executive Director)*

**Ravi Chidambaram**
*(Lead Independent Director)*

**Tan Han Beng**
*(Independent Director)*

**Edwin Tham Soong Meng**
*(Independent Director)*

## COMPANY SECRETARY

Chen Chuanjian, Jason from 30 June 2021 till current date

Tan Ching Ching from 11 March 2022 till current date

## REGISTERED OFFICE

10 Collyer Quay #10-01
Ocean Financial Centre
Singapore 049315
Tel: (65) 6531 2266
Fax: (65) 6533 1542

## PRINCIPAL PLACE OF BUSINESS

12 Sedova St.
City of Millerovo, Millerovskiy District
Rostov Region, 346130, Russia

## SHARE REGISTRAR AND SHARE TRANSFER AGENT

**Tricor Barbinder Share Registration Services**
**(a division of Tricor Singapore Pte. Ltd.)**
80 Robinson Road
#02-00
Singapore 068898

## SPONSOR

**PrimePartners Corporate Finance Pte. Ltd.**
16 Collyer Quay
#10-00 Collyer Quay Centre
Singapore 049318

## AUDITORS

**Foo Kon Tan LLP**
1 Raffles Place
#04-61/62 One Raffles Place Tower 2
Singapore 048616

Partner-in-charge: Chin Bo Wui (a practising member of ISCA and is a public accountant registered with ACRA) Appointed in the financial year ended 31 December 2022.

## PRINCIPAL BANKERS

**Rosselkhozbank JSC**
Mikhaila Nagibina Street, 14A,
Rostov-on-Don 344038, Russia

**Sberbank of Russia PJSC**
41, Bratskiy Pereulok,
Rostov-on-Don 344082, Russia

**DBS Bank Limited**
12 Marina Boulevard, Marina Bay Financial Centre
Tower 3 Singapore 018982.

The board of directors (the "**Board**") of Don Agro International Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and transparency within the Company and the Group by complying with the principles and guidelines as set out in the Code of Corporate Governance 2018 (the "**Code**").

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2022 ("**FY2022**"), with specific reference made to the principles of the Code.

For FY2022, the Company has complied with the principles of the Code and provisions as set out in the Code and the practice guidance issued by the Monetary Authority of Singapore on 6 August 2018 (the "**Guide**"), where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the provisions of the Code and the Guide.

The Company did not adopt any alternative corporate governance practices in FY2022.

## BOARD MATTERS

### BOARD'S CONDUCT OF ITS AFFAIRS

*Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

**Provision 1.1**

The board of directors (the "**Board**") supervises the management of the business and affairs of the Group and holds the management accountable for performance. The Board approves the Group's corporate and strategic direction, the appointment of Directors and key managerial personnel, major funding and investment proposals, and reviews the financial performance of the Group. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders, and use best efforts to implement the good practices recommended in the Code.

The principal functions of the Board are:

- Set strategic objectives and business plans of the Group;
- Approval of investment and divestment proposals, mergers and acquisitions and disposals of assets;
- Review and approve the appointment/re-appointments of Directors proposed by the Nominating Committee;
- Appointment or removal of the Company Secretary;
- Appointment and re-appointment of internal and external auditors and key management personnel;
- Ensure good corporate governance practices of the Group to protect the interests of shareholders;
- Establish a framework of prudent and effective internal controls and risk management strategies which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- Review and monitor the performance of the Management;
- Review and approve half-year and full-year results announcements and annual reports;
- Declaration of interim dividends and proposal of final dividends for shareholders' approval;
- Monitoring Company's risk of becoming subject to sanctions; and
- Ensuring timely and accurate disclosures to SGX-ST and the relevant authorities should any enquiries be made regarding the Group's dealings with Sanctioned Subject[1].

1 "Sanctioned Subjects" : Any individual or entity or government which is: (a) listed or designated on any sanction list(s); and/or (b) owned or controlled by an individual or entity or government listed in (a)

The Board acts in good faith and in the best interests of the Company by exercising due care, skills and diligence, and avoiding conflicts of interest. The Directors are cognizant of their fiduciary duties at law. When a potential conflict of interest situation arises, the affected Director will recuse himself or herself from the discussion and decisions involving the areas of potential conflict, unless the Board is of the opinion that his or her participation is necessary. Where such participation is permitted, the conflicted Director excuses himself or herself for an appropriate period during the discussions to facilitate full and frank exchange by the other Directors, and shall in any event recuse himself or herself from the decision-making.

Pursuant to Section 156 of the Companies Act 1967 of Singapore (the "**Companies Act**"), each Director is to declare to the Company his or her interests (direct or indirect) in all transactions with the Company and provide details on the nature of such interests as soon as practicable after the relevant facts have come to his or her knowledge. On an annual basis, each Director is also required to submit details of his or her associates for the purpose of monitoring interested persons transactions.

**Provision 1.2**

Newly appointed Directors will be given briefings by the Management on the business activities and strategic direction of the Group. There are also induction or orientation programmes to familiarise them with the Group's operations. They will also be provided with a formal letter setting out their duties and obligations. Where appropriate and for first time directors with no prior experience as a director of a listed company in Singapore, the Company will also arrange for them to attend training courses organised by the Singapore Institute of Directors (the "**SID**") or other professional training institutions as appropriate so as to equip them to discharge their duties effectively. Such training must be completed within one year of the appointment. There were no new Directors appointed during FY2022.

As part of training for the Board, Directors are briefed either during Board and Board Committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry related matters. All Directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements or framework and the business environment.

Mr Evgeny Tugolukov and Mr Marat Devlet-Kildeyev completed Sustainability E-Training and received Certificates in Sustainability for Directors issued by the Institute of Singapore Chartered Accountants (ISCA) in partnership with SAC Capital on 12 and 13 April 2023 respectively.

The Group's Independent Director Mr Tan Han Beng completed "LED - Environmental, Social and Governance Essentials" and received the Certificate of Attendance issued by the Singapore Institute for Directors on 15 June 2022.

Independent Directors Mr Ravi Chidambaram and Mr Edwin Tham Soong are undergoing Sustainability E-Training conducted by the ISCA in partnership with SAC Capital. Despite their work commitments and busy schedules, they confirmed their commitments towards completion of all 4 CPE hours with video and MCQ Assessments not later than 31 May 2023.

All members of the Board are informed that it is necessary to equip themselves with basic knowledge on sustainability matters.

The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. In carrying out their duties and where necessary, Directors individually or as a group may seek independent professional advice where appropriate at the Company's expense.

**Provision 1.3**

The Board has adopted internal guidelines setting forth the matters reserved for the Board's decision and given clear directions to the Group's management on matters that must be approved by the Board.

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's half-year and full-year results, annual reports, audited financial statements, declaration of dividends and interested persons transactions.

All other matters are delegated to Board Committees whose actions are reported to and monitored by the Board. The Board does not abdicate its responsibility in such delegations of authority.

**Provision 1.4**

The Board also monitors and evaluates the Group's operations and financial performance, sets targets and goals, works with and monitors the Management in achieving such targets and goals.

The Board of Directors has formed three (3) committees, namely the Audit and Risk Committee (the "**ARC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**").

The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other relevant information on the Board Committees can be found in the subsequent sections of this report.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The Board Committees report its activities regularly to the Board. Minutes of the Board Committees are regularly provided to the Board and are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or senior management to attend their meetings.

**Provision 1.5**

The Board meets regularly and ad-hoc meetings are convened as warranted by particular circumstances as deemed appropriate by the Board members.

The Company's Constitution provides for meetings of Directors to be held by means of telephone conference or similar communications equipment.

The Board holds at least two (2) meetings each year to approve the half and full year results announcement and to oversee the business affairs of the Group.

The table below sets out the number of Board and Board Committees meetings held during FY2022 and the attendance of each Directors at these meetings:

| | | | **Board Committees** | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Board** | | **Audit and Risk** | | **Nominating** | | **Remuneration** | |
| **No. of meetings held** | 2 | | 3 | | 1 | | 1 | |
| **Name of Directors** | A | B | A | B | A | B | A | B |
| Evgeny Tugolukov | 2 | 2 | 2* | 2 | 1* | 1 | 1* | 1 |
| Marat Devlet-Kildeyev | 2 | 2 | 3* | 3 | 1* | 1 | 1* | 1 |
| Ravi Chidambaram | 2 | 2 | 3 | 3 | 1 | 1 | 1 | 1 |
| Tan Han Beng | 2 | 2 | 3 | 3 | 1 | 1 | 1 | 1 |
| Edwin Tham Soong Meng | 2 | 2 | 3 | 3 | 1 | 1 | 1 | 1 |

Notes:

A – represents number of meetings held

B – represents number of attendances

* - By invitation

In FY2022, the Group held three ARC meetings (on 28 February 2022, 11 August 2022 and 9 December 2022), one NC meeting (on 28 February 2022) and one RC meeting (on 28 February 2022).

All Directors are expected, in the course of carrying out their duties, to act in good faith to provide insights and objectively take decisions in the interest of the Group.

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his knowledge. While some of the Directors have taken on multiple board representations, they have ensured that they are able to accord sufficient time and attention to the affairs of each company.

The Board acknowledges that setting a prescriptive limit on listed company board representations may help to address the issue of competing time commitments of Directors and while the Board has not set a maximum number of listed company board representations a Director may hold, all Directors appreciate the high level of commitment required of a Director. The Board is of the opinion that a more meaningful measure is the quality of time spent on the Company's matters and the ability to contribute effectively to the Board. The NC and the Board are satisfied that in FY2022, each of the Directors was able to devote sufficient time and attention to the affairs of the Company and has diligently discharged his or her duties as a Director of the Company.

**Provision 1.6**

All Directors have unrestricted access to the Company's records and information. From time to time, they are provided with complete, adequate and timely information, on an on-going basis, in order for the Directors to discharge their duties efficiently and effectively.

Management provides the members of the Board with board papers as well as relevant background information or explanatory information and documents relating to items of business to be discussed at a Board meeting before each scheduled meeting. The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision-making process on an ongoing basis and in a timely manner. In respect of the annual budgets, the management shall provide any material variance between the budget or projections and actual results to the Board. Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information at least one week prior to the meetings to allow sufficient time for review by the Directors.

The Company's management, legal advisors and auditors, who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. The minutes of meetings of the Board and Board Committees are circulated to all Board or Board Committee members (as applicable) after the respective meetings for their approval.

**Provision 1.7**

The role of the Company Secretary is clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary or his/her nominee attends all Board meetings and ARC, NC, RC meetings. Where the company secretary is unable to attend any Board meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and the respective Board Committees and between management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required. Under the Constitution, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole and is subject to the Board's approval. The Directors have separate and independent access to the Management, the Company Secretary, and external advisers (where necessary) at the Company's expense.

Save for the interested person transactions as disclosed in page 170 to 172 in the Offer Document, none of our Directors, Controlling Shareholders or any of their Associates has an interest, direct or indirect:

(a) in any transaction to which our Group was or is to be a party;

(b) in any entity carrying on the same business or dealing in similar services which competes materially and directly with the existing business of our Group; and

(c) in any enterprise or company that is our Group's customer or supplier of goods and services.

**BOARD COMPOSITION AND GUIDANCE**

*Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

**Provision 2.1**

There is presently a strong and independent element on the Board with Independent Directors constituting majority of the Board. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment of the Group's affairs.

None of the Independent Directors have been employed by the Company or any of its related corporations for the current or any of the past three financial years, and none of the Independent Directors have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC.

None of the Directors are related to each other, our Executive Officers or our Substantial Shareholders.

The Independent Directors do not have any existing business or professional relationship of a material nature with the Group, the other Directors or the Company's Substantial Shareholders. None of the Independent Directors sit on the board of our subsidiaries.

The Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. The Board comprises individuals who have experience in accounting, finance, business, management, industry knowledge and strategic planning experience. The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Independent Directors fulfil a pivotal role in corporate accountability. Their presence is particularly important as they provide unbiased and independent views, advice and judgement to take care of the interests, not only of the Company but also of the shareholders, employees, customers, suppliers and the many communities with which the Company conducts business with.

Pursuant to Rule 406(3)(d)(iv) of the Catalist Rules which came into effect on 11 January 2023, an Independent Director who has held his or her position for an aggregate period of more than nine (9) years (whether before or after listing) will cease to be independent thereafter. However, such director may continue to be considered independent until the conclusion of the next annual general meeting of the Company. There are no Independent Directors who has served beyond nine years since the date of his first appointment.

**Provisions 2.2, 2.3 and 2.4**

As at the date of this report, the Board comprises five (5) Directors, three (3) of whom are Independent Non-Executive Directors:

| Name | Position |
|---|---|
| Evgeny Tugolukov | Executive Chairman |
| Marat Devlet-Kildeyev | Chief Executive Officer (the "**CEO**") and Executive Director |
| Ravi Chidambaram | Lead Independent Director, Chairman of the NC |
| Tan Han Beng | Independent Director, Chairman of the ARC |
| Edwin Tham Soong Meng | Independent Director, Chairman of the RC |

As the Chairman of the Board and the CEO of the Group are part of the management, majority of the Board is made up of Independent Non-Executive Directors.

The Company's Board Diversity Policy ("Policy") is set out to ensure that there is diversity on the composition of the Board.

The Company recognizes the need and benefits of having diversity at the Board level to enhance stewardship and decision-making abilities to meet up to the fast-changing business environment. The Board should have a balance of skills, knowledge and experience so as to avoid groupthink and convergent of ideas.

A diverse Board consist of Directors of different age, gender, length of service with varied skills and other relevant qualities considered necessary for the effective governance of the Board. These differences are considered in determining the composition of the Board and where possible, would be balanced appropriately.

The Nominating Committee ("NC") reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new directors. All appointments to the Board are based on merit and the NC will consider diversity factors like skills, knowledge, experience, age, gender, length of service and any other relevant factors.

The current Board members comprise business leaders, professionals with accounting and finance, business, management and legal background. Given the current size of the Board and nature of business, the Board does not currently propose to set specific diversity targets to be met.

The NC will review the Policy to assess its relevance and effectiveness will make recommendations to the Board for consideration and approval.

The Board has adopted the following steps to maintain or enhance its balance and diversity:

(a) Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary to enhance the efficacy of the Board; and (b) Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent Directors. Taking into account the nature and scope of the Group's business, in concurrence with the NC, the Board believes that the current size of the Board and Board Committees is appropriate, and that the composition of the Board and Board Committees provide sufficient diversity without interfering with efficient decision making. The Board's policy in identifying Directors' nominees is primarily to have an appropriate mix of members with core competencies such as accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management.

**Provision 2.5**

Where appropriate, the Independent Directors meets periodically with each other without the presence of the Executive Directors to discuss concerns or matters touching on the management and finances of the Company and provides feedback to the Board and/or Chairman of the Board, as appropriate, after such meetings.

The Independent Non-Executive Directors had several informal discussions via teleconference without the presence of the Management in FY2022.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

*Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

**Provisions 3.1 and 3.2**

The functions of the Executive Chairman and CEO in the Company are assumed by different individuals.

Mr Evgeny Tugolukov is an Executive Chairman. He was appointed to our Board on 28 November 2018 and is responsible for setting and executing the strategic directions and expansion plans for the growth and development of our Group.

Mr Marat Devlet-Kildeyev is the CEO. He was appointed to our Board on 28 November 2018 and re-elected as a director on 29 April 2022. As CEO, he is responsible for directing and controlling the operations of the Group and its key operational subsidiaries.

The roles of the Chairman and the CEO are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO.

The clear separation of roles of the CEO and Chairman provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberations on the business activities of the Group.

**Provision 3.3**

As the Executive Chairman is part of the Management and therefore not independent, Mr Ravi Chidambaram has been appointed as the Lead Independent Director, as recommended by the Code, as the principal liaison on Board issues between the Independent Directors and the Chairman and CEO. The responsibilities of the Lead Independent Director include:

- Acting as the principal liaison to address shareholders' and other stakeholders' concerns for which contact through the normal channels of communication with the Executive Chairman or Executive Officer are inappropriate or failed to resolve the concerns in question;
- Chairing Board meetings in the absence of the Executive Chairman;
- Working with the Executive Chairman in leading the Board; and
- Providing a channel to Independent Directors for confidential discussions on any concerns they may have and to resolve conflicts of interest, as and when necessary.

Mr Ravi can be contacted via the following electronic mail address: ravi@tccapital.com.

**BOARD MEMBERSHIP**

*Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

**Provision 4.1**

The NC is responsible for:

(a) reviewing and recommending the nomination or re-nomination of our Directors having regard to each Director's contribution and performance;

(b) reviewing succession plans for our Directors, in particular the appointment and/or replacement of the Chairman of our Board, our Chief Executive Officer and key management personnel;

(c) determining on an annual basis whether or not a Director is independent;

(d) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director;

(e) reviewing training and professional development programmes for our Board and our Directors;

(f) reviewing and approving any new employment of related persons and the proposed terms of their employment; and

(g) undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The NC also decides how the performance of the Board, the Board Committees and the individual Directors is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how the Board has enhanced long-term shareholders' value and how individual Directors have contributed to the effectiveness of the Board. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of our Board as a whole, and for each Board Committee separately, and for assessing the contribution of each individual Director to the effectiveness of our Board. Please refer to the Board Performance section of this Corporate Governance Report for more details.

Each member of our NC does not take part in determining his own renomination or independence and shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he abstains from participating in the review and approval process relating to that matter.

**Provision 4.2**

The NC comprises three (3) Independent Directors (including the Lead Independent Director), namely Mr Ravi Chidambaram (Chairman), Mr Tan Han Beng and Mr Edwin Tham Soong Meng.

**Provision 4.3**

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new director through the business networks of the Board. The NC may consider using third party search firms to identify a broader range of suitable candidates when vacancies in the Board arise in the future.

The NC will assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience, will determine of the candidate's independence; and recommend the most suitable candidate to the Board for appointment as director.

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and
- Capacity, complexity and expectations of the other listed directorships and principle commitments held.

In FY2022, there were no appointment of any new Directors.

The Company's Constitution states that at each AGM, one-third (or if their number is not three or a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being, shall retire from office and that all Directors shall retire from office at least once in every three (3) years and such retiring Directors shall be eligible for re-election. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

The NC assesses and recommends to the Board whether retiring directors are suitable for re-election.

The NC, in considering the re-appointment of a director, evaluates such director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board Committees and pro-activeness of participation in meetings.

The NC recommended that Directors, Mr Ravi Chidambaram and Mr Edwin Tham Soong Meng be put forward for re-election at the forthcoming Annual General Meeting ("**AGM**"). The Board accepted the recommendation and being eligible, both Mr Ravi Chidambaram and Mr Edwin Tham Soong Meng, will be offering themselves for re-election at the forthcoming AGM. Information on Mr Ravi Chidambaram and Mr Edwin Tham Soong Meng as required in Appendix 7F of the Catalist Rules under Rule 720(5) of the Catalist Rules are set out in the "Additional Information on Directors Seeking Re-election" section of this Annual Report.

Mr Ravi Chidambaram will, upon re-election as a Lead Independent Director, remain as the Chairman of the NC and a member of the ARC and the RC.

Mr Edwin Tham Soong Meng will, upon re-election as a Director, remain as the Chairman of the RC and a member of the ARC and the NC.

The Board, with the concurrence of the NC, has also considered Mr Ravi Chidambaram and Mr Edwin Tham Soong Meng to be independent for the purposes of Rule 704(7) of the Catalist Rules.

The academic and professional qualifications and the information on shareholdings in the Company held by each Director are set out in the "Board of Directors" and "Directors' Statement" sections of this Annual Report respectively.

The Company does not have any alternate directors on the Board currently.

**Provision 4.4**

The NC conducts an annual review of each Director's independence and takes into consideration the Provision 2.1 of the Code as well as the relevant Catalist Rules. The Board considers the existence of relationships or circumstances, including those identified by the Code and Catalist Rules, that are relevant to determine whether a Director is independent. In addition, the NC reviews the individual director's declaration in their assessment of independence.

The NC has ascertained that all Independent and Non-Executive Directors are considered independent. They have signed the independent confirmation for FY2022. There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship that would otherwise deem him not to be independent.

The NC had reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and principal commitments of each of the Directors (if any), as set out below, and is satisfied that all Directors were able to diligently discharge their duties and sufficient time and attention has been given to the Group by the Directors in FY2022.

**Provision 4.5**

Key information regarding the Directors is set out below:

| Name of the Director | Date of first Appointment | Date of last re-election | Date of next re-election | Directorship or Chairmanship both present and held over the preceding three (3) years in other listed companies | | Other Principal Commitments |
|---|---|---|---|---|---|---|
| | | | | Present | Past Three Years | |
| Tan Han Beng | 28.06.2019 | 29.04.2022 | NA | 1) Challenger Technologies Limited (Director)<br>2) Old Chang Kee Ltd (Director) | None | UOB Kay Hian Pte Ltd – Senior Vice President, Corporate Finance |
| Edwin Tham Soong Meng | 28.06.2019 | 24.06.2020 | At the forthcoming AGM of the Company | None | None | 1) LLC Kerensk Farm – Director and minority participant (holding a 49% interest in the charter capital); and<br>2) Ingvarr Advisory & Trust – Senior Consultant |
| Evgeny Tugolukov | 28.11.2018 | 29.04.2021 | NA | None | None | 1) Executive Director in Strongbow Investments Pte Ltd;<br>2) Non-Executive Director in DDD-Diagnostic, A/S;<br>3) Non-Executive Director in Dubultu Krasts, SIA;<br>4) Non-Executive Director in MedScan, Limited Liability Company;<br>5) Non-Executive Director in Asian American Medical Group Limited; and<br>6) Non-Executive Director in Clinical Hospital on Yauza, Limited Liability Company. |
| Marat Devlet-Kildeyev | 28.11.2018 | 29.04.2022 | NA | None | None | 1) Non-Executive Director in Dubultu Krasts, SIA; and<br>2) Executive Director in Rīgas Nukleārās Medicīnas Laboratorija, SIA |
| Ravi Chidambaram | 28.06.2019 | 29.04.2021 | At the forthcoming AGM of the Company | None | None | 1) President, TC Capital Private Limited;<br>2) Director, Rimm Sustainability Private Limited;<br>3) Director, Watershed Holdings Private Limited;<br>4) Director, Amansa Holdings Private Limited;<br>5) Director, RIMM Japan Inc; and<br>6) Director, TC Strategy Private Limited. |

**BOARD PERFORMANCE**

*Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

**Provisions 5.1 and 5.2**

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value.

The assessment of the Board, Board Committees and the Directors are to be carried out once every financial year. Each member of the NC is required to abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director. The evaluation of Board's and Board Committees' performance shall consider matters on Board composition, information to the Board, Board procedures and Board accountability. The evaluation of individual Director shall consider matters on attendance at meetings, Directors' duties and know-how and interaction with fellow Directors.

The NC had adopted the following annual assessment forms which required the completion by each Director and respective Board Committees' member:

- Board and Board Committee Performance Evaluation Form; and
- Individual Director Evaluation Form.

The Directors complete the board assessment questionnaire and the results are collated by the Company Secretary and the summary of the assessment are presented to the Chairman of the Board and the NC for review and collective discussion with other Board members to address or recommend any areas for improvement and follow up actions. The appraisal process focuses on a set of performance criteria for the Board, Board Committees and individual Directors' assessment which includes:

a) For the Board: the evaluation of the size and composition of the Board, the Board's access to information, the Board processes and accountability, Board performance in relation to discharging its principal responsibilities, communication with Key Management Personnel and the Directors' standards of conduct; and

b) For an individual Directors: the evaluation of (i) attendance at Board and Board Committee meetings; (ii) director's duties such as preparation for Board and Board and Committee meetings, willingness to devote time and effort to participate in events outside the Boardroom, contribution to development of strategy and to risk management, resolution in maintaining own views and resisting pressure from others, compliance with corporate governance requirements; (iii) Know How such as financial, business, industry and company knowledges; (iv) Interaction - How well does the director interact with: Fellow directors, Key management personnel, shareholders and auditors.

NC then makes recommendations to the Board aimed at helping the Board to discharge its duties effectively. The Chairman of the Board act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought.

The NC, having reviewed the overall performance of the Board and the Board Committees, as well as the assessment of the individual Director, in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2022, is of the view that the performance of the Board as a whole, Board Committees and contribution by each Director have been satisfactory and that the Board has met its performance objective for FY2022.

The NC did not propose any changes to the performance criteria for FY2022 as compared to the previous financial year as the economic climate, Board composition and the Group's principal business activities remained the same.

No external facilitator was engaged by the Board for the evaluation process in FY2022. The NC has full authority to engage external facilitators to assist the NC to carry out the evaluation process, if the need arises.

## REMUNERATION MATTERS

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

*Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

**Provision 6.1**

The RC was formed to recommend to the Board a framework of remuneration for our Directors and key management personnel, and determine specific remuneration packages for each Director and key management personnel. The recommendations of RC should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, the options to be issued under the Don Agro Employee Share Option Scheme and other benefits-in-kind shall be covered by our RC. RC reviews the remuneration packages of Directors and key management personnel to ensure that said packages, including termination terms, are fair.

**Provision 6.2**

The RC comprises three (3) Independent Directors (including the Lead Independent Director), namely Mr Edwin Tham Soong Meng (Chairman), Mr Ravi Chidambaram and Mr Tan Han Beng.

**Provision 6.3**

In addition, our RC performs an annual review of the remuneration of employees related to Directors and/or substantial shareholders of the Company to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees. Each member of our RC abstains from voting on any resolutions in respect of his remuneration package or that of employees related to him.

**Provision 6.4**

No remuneration consultants were engaged by the Company in FY2022.

**Level and Mix of Remuneration**

*Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

**Provisions 7.1, 7.2 and 7.3**

The Company has entered into respective Service Agreements with our Executive Chairman, Mr Evgeny Tugolukov, and our CEO, Mr Marat Devlet-Kildeyev, Chief Financial Officer ("**CFO**"), Mr Artur Nazaryan and our Chief Operating Officer ("**COO**"), Mr Vadim Novikov (each an "**Appointee**").

The Service Agreements are valid for an initial period of three (3) years with effect from the date of admission of the Company to Catalist ("**Initial Term**"), being 14 February 2020. Upon the expiry of the Initial Term, the employment of the Appointees shall be automatically renewed on a year-on-year basis on such terms and conditions as the parties may agree unless terminated in accordance with the respective Service Agreements.

Each Appointee's remuneration and annual fixed bonus is a subject to annual review by the RC after the accounts of our Group for the immediate preceding financial year have been audited, in light of their performance and prevailing economic conditions. The Service Agreements provided for, *inter alia*, the salary payable to the Appointees, annual leave, medical benefits, grounds of termination and certain restrictive covenants (including non-compete obligations).

The Executive Chairman, CEO and CFO may terminate their respective Service Agreements at any time by giving to our Company not less than six (6) months' notice in writing, or in lieu of notice, payment of an amount equivalent to six (6) months' salary based on their respective last drawn monthly salary; while the COO may terminate his Service Agreement at any time by giving to our Company not less than three (3) months' notice in writing, or in lieu of notice, payment of an amount equivalent to three (3) months' salary based on his last drawn monthly salary. The parties may by mutual agreement waive or vary the notice requirement.

Pursuant to the respective Service Agreements, the remuneration received by each Appointee in FY2022 is made up of only fixed compensation consisting annual base salary. The variable component of compensation is in the form of the Company's Don Agro Employee Share Option Scheme.

To enhance its remuneration so as to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel, the Company has adopted a share option scheme, the Don Agro Employee Share Option Scheme (the "**ESOS**"), which was approved at an Extraordinary General Meeting of our Shareholders held on 4 February 2020. The ESOS serves as a long-term incentive scheme for the Directors and employees of the Company. The ESOS serves to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance and to align the interests of Directors with the interests of Shareholders. For details about the ESOS, please refer to the Directors' Statement section of this Annual Report.

The Non-Executive Directors do not have service agreements with the Company. They are paid fixed directors' fees, which are determined by the Board appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each Non-Executive Director.

The Independent Non-Executive Directors' fees are proposed by the RC and recommended by the Board for shareholders' approval at a general meeting of the Company. Non-Executive Directors' fees of S$180,000 for FY2022 had been approved at the AGM held on 29 April 2022. The RC has reviewed and assessed that the remuneration of the Non-Executive Directors for FY2022 is appropriate, considering the effort, time spent and responsibilities.

**DISCLOSURE ON REMUNERATION**

*Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

**Provisions 8.1, 8.2 and 8.3**

The remuneration (including salary, directors' fees, bonus) paid during FY2022 are set out in the following remuneration bands[2]

| | **FY2022** |
|---|---|
| **Directors** | |
| Evgeny Tugolukov | Band A |
| Marat Devlet-Kildeyev | Band B |
| Ravi Chidambaram | Band A |
| Tan Han Beng | Band A |
| Edwin Tham Soong Meng | Band A |
| **Executive Officers** | |
| Artur Nazaryan | Band A |
| Vadim Novikov | Band A |

2 Remuneration bands:
Band A" refers to remuneration of up to S$250,000
Band B" refers to remuneration between S$250,001 and S$500,000

The breakdown for the remuneration of the Directors in FY2022 was as follows:

Director's Remuneration

| **Name** | **Salary (%)** | **Bonus (%)** | **Directors' Fees (%)** | **Benefits-in-kind (%)** | **Total (%)** |
|---|---|---|---|---|---|
| **Between S$250,001 to S$500,000** | | | | | |
| Marat Devlet-Kildeyev | 100 | – | – | – | 100 |
| **Below S$250,000** | | | | | |
| Evgeny Tugolukov | 100 | – | – | – | 100 |
| Ravi Chidambaram | – | – | 100 | – | 100 |
| Tan Han Beng | – | – | 100 | – | 100 |
| Edwin Tham Soong Meng | – | – | 100 | – | 100 |

The Company believes that it should not disclose the remuneration paid to each of the Independent Directors, Executive Directors and key management personnel in absolute amount due to the highly competitive market and in the interest of maintaining good morale and building team work within the Group.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) in FY2022 was as follows:

| **Name** | **Salary (%)** | **Bonus (%)** | **Directors' Fees (%)** | **Benefits-in-kind (%)** | **Total (%)** |
|---|---|---|---|---|---|
| **Below S$250,000** | | | | | |
| Artur Nazaryan | 100 | – | – | – | 100 |
| Vadim Novikov | 100 | – | – | – | 100 |

The total remuneration paid to the key management personnel in FY2022 was S$216,973.

There were no termination, retirement and post-employment benefits granted to Directors and key management personnel in FY2022.

Remuneration to be paid for FY2022 does not take into account any discretionary bonus due to Executive Directors and our key management personnel. As discussed under Principle 7 of this Corporate Governance Report, the terms of employment as set out in the Service Agreements with the Executive Directors and key management personnel shall commence with effect from the date on which the Company is admitted to the Catalist (the "**Commencement Date**") and shall continue for a period of three (3) years thereafter (the "**Initial Term** "). After the Initial Term, the Appointee's employment shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree.

There were no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder.

Further details on the Don Agro Employee Share Option Scheme can be found in the "Director's statement" section of this Annual Report.

**ACCOUNTABILITY AND AUDIT**

**RISK MANAGEMENT AND INTERNAL CONTROLS**

*Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

**Provision 9.1**

The Board believes in the importance of maintaining a system of risk management and internal controls to safeguard the interests of the shareholders and the Group's assets.

The Board, with assistance of the ARC, is responsible for the effective design, implementation and monitoring of the Company's risk management strategy and internal controls. In addition, the Executive Directors and the management regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews significant control policies and procedures, and highlights the significant matters to the Board and the ARC.

The Company is committed to conducting business in full compliance with all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including but not limited to those adopted, administered and enforced by the Government of the United States, the European Union and its member states, the United Nations Security Council, the Government of Australia and the Government of Singapore ("**International Sanctions**"), to the extent they apply to the activities of the Group.

In order to protect the interests of our Group and to reduce the risk of our Group infringing any International Sanctions Laws, our Group has adopted a sanctions compliance policy ("**Sanctions Compliance Policy**" and the "**Policy**") which sets out enhanced internal control and risk management measures to help our Group monitor and evaluate our business and take measures to protect the interests of our Group from any material risk relating to International Sanctions Laws.

This Policy (including the Sanctions Risk Rating Policy) was reviewed by Hogan Lovells (the "**External Sanctions Counsel**"), and the Board. This Policy should be disseminated throughout our domestic operations and overseas offices and branches.

The Policy (including the Sanctions Risk Rating Policy) shall be reviewed by the External Sanctions Counsel on an annual basis to ensure that they are adequate and effective, while our internal auditor will conduct an annual review to ensure that the Policy (including the Sanctions Risk Rating Policy) is being complied with by the Group.

The ARC has the ultimate responsibility for ensuring that the Group complies with International Sanctions laws and regulations at all times.

The Company's CEO and COO are responsible for, among other things, monitoring the Company's exposure to sanctions risks and our implementation of the related internal control procedures, and report to our ARC in relation thereto.

The Group uses the Dow Jones database for sanction's screening of the new counterparties, including suppliers and customers. There were no new sanctioned companies found as a result of this screening.

The ARC holds at least two (2) meetings each year to monitor our exposure to sanctions risks. Our Company's CEO and/or COO should be familiar with International Sanctions and be able to identify issues, risks and prohibited activities in relation to International Sanctions.

The External Sanctions Counsel has made the following conclusions in the Memorandum of Advice to the Company dated 14 April 2023:

(a) the Group's activities during the Period Under Review do not appear to violate or implicate any breaches of the restrictions under International Sanctions;

(b) the Group's activities do not constitute "Sanctioned Activities" as that term is defined in the SGX Conditions; and

(c) the Group's dealings with any of the parties that may be deemed to be Sanctioned Subjects within the meaning of the SGX Conditions do not violate any International Sanctions laws and regulations.

In making the conclusion of the External Sanctions Counsel and to ensure the Sanctions Compliance Policy is adequate and effective, our External Sanctions Counsel carried out the following measures to review the Company's compliance with the Sanctions Compliance Policy.

The External Sanctions Counsel reviewed the Group's responses to the "International Sanctions Due Diligence Checklist" dated 5 August 2019 (the "**Sanctions DD Checklist**"), prepared by Hogan Lovells, and updated responses by e-mail correspondence on and around 11 April 2023. The Group's responses to the Sanctions DD Checklist included disclosure of all counterparties with whom the Group transacted during FY2022, the Group's transactions with the counterparties from the countries, where international sanctions are applicable, with the parties which are included in various list of restricted parties, such as the List of Specially Designated Nationals and Blocked Persons, the Sectoral Sanctions Identification List, maintained by the U.S. Department of the Treasury's Office of Foreign Asset Control and other lists of restricted or sanctioned subjects, entities and organizations maintained by the United States, European Union, the United Nations or other jurisdictions or controlled by persons or entities from such lists. The Group's responses to the Sanctions DD Checklist have included documents and information that relate to the subject matter of the Sanctions DD Checklist. Based on a review of the Company's responses, the External Sanction Counsel assessed the Company's compliance with the Sanctions Compliance Policy and the Company's carrying out of compliance measures as part of the assessment of the adequacy and effectiveness of the Sanctions Compliance Policy. There was no update to the Sanctions Compliance Policy in FY2022.

The Board, with the concurrence of the ARC, are of the opinion that the Group has adequate and effective internal controls (including financial, operational, compliance and information technology controls), risk management systems and sanctions risks management to safeguard the interests of the Group and its shareholders in FY2022.

**Provision 9.2**

The Board has received assurance from the CEO and CFO in respect of FY2022 that:

(a) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and

(b) the Company's risk management and internal controls system are adequate and effective.

**AUDIT AND RISK COMMITTEE** (“**ARC**”)

*Principle 10: The Board has an Audit Committee (“AC”) which discharges its duties objectively.*

**Provision 10.1**

The written terms of reference of the ARC have been approved and adopted.

The ARC performs the following functions:

(a) review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgements made by the external auditors so as to ensure the integrity of the financial statements of our Group and any announcements relating to our Group’s financial performance;

(b) review and report to the Board, at least annually, the adequacy and effectiveness of our Group’s internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties), and risk management systems;

(c) review the assurance from the CEO and the CFO on the financial records and financial statements;

(d) review the adequacy, effectiveness, independence, scope and results of the external audit and our Group’s internal audit function;

(e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and on the remuneration and terms of engagement of the external auditors;

(f) review the system of internal controls and management of financial risks with our internal and external auditors;

(g) review the co-operation given by our management to external auditors and internal auditors, where applicable;

(h) review the Group’s compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;

(i) review and approve interested person transactions and review procedures thereof;

(j) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(k) review risk management framework, with a view to providing an independent oversight on Group’s financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNet;

(l) investigate any matters within its terms of reference;

(m) review the policy and arrangements concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(n) review the adequacy of and approve procedures put in place related to our Group’s policy for entering into any future hedging transactions;

(o) review the sanctions-related risks of our Group including transactions and business dealings with our customers, suppliers and bankers and assess whether there is a need to obtain independent legal advice and/or appoint a compliance adviser with respect to the applicable sanctions risks faced by our Group;

(p) monitor the Group’s measures and procedures to manage sanctions-related risks and review the Sanctions Compliance Policy and the adequacy of safeguards in relation to potential sanctions-related risks to the Group;

(q) review the utilisation of funds (including any material deviation from such utilisation) raised from the Placement and any secondary fund-raising post-Listing to ensure that they are solely for the purposes disclosed in the listing document and to the SGX, and not to benefit any Sanctioned Subject;

(r) provide their views (which will be stated in our annual report) on whether they concur with our Board's comment on whether the Company has adequate and effective internal controls (including internal controls related to cash flows) and risk management systems to safeguard the interests of the Group and the shareholders, in particular with respect to sanctions risks;

(s) continuously monitor the written undertakings which our Group has provided to SGX-ST and ensure timely and accurate disclosures to SGX-ST and the relevant authorities should any enquiries be made regarding our Group's dealings with Sanctioned Subjects; and

(t) undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, the ARC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on Group's operating results and/or financial position. In the event that a member of our ARC is interested in any matter being considered by ARC, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

**Provisions 10.2 and 10.3**

The ARC comprises three (3) Independent Directors (including the Lead Independent Director), namely Mr Tan Han Beng (Chairman), Mr Ravi Chidambaram and Mr Edwin Tham Soong Meng.

The members of the ARC are appropriately qualified to discharge their responsibilities and have relevant accounting and related financial management experience and expertise. None of the ARC members were previous partners or directors of the Company's external auditor, Foo Kon Tan LLP (the "**External Auditors**"), within the last two years or hold any financial interest in the external auditor.

**Provision 10.4**

**Internal audit**

The Company has engaged Unicon Audit and Consulting Group LLC as its internal auditors. The internal auditor reports directly to the ARC and administratively to the Management. The internal audit work carried out was guided by the International Standards for Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The ARC, in consultation with the management, approves the hiring, removal, evaluation and compensation of the internal auditors. The Internal Auditors have unfettered access to ARC and all the documents, records, properties, and personnel of the Group.

The internal audit plan will be approved in the agreement by the Management and reviewed by the ARC.

The ARC reviews annually the independence, adequacy and effectiveness of the internal audit function and internal audit report.

The ARC is satisfied that the internal audit function is independent, effective and adequately resourced to perform its function effectively for FY2022.

**External audit**

The ARC reviews the independence of the External Auditors annually. The ARC received an audit report from the External Auditors setting out the audit fees charged for FY2022.

KPMG LLP was first appointed as auditors of the Company in 2019. Due to the Russia-Ukraine armed conflicts which started in February 2022, KPMG International had announced that the KPMG practice in Russia would no longer be part of the international network. Following that, KPMG International would not have a network firm auditing the Company's operations in Russia for the year ending 31 December 2022 and KPMG LLP did not seek re-appointment as auditors of the Company at the last AGM of the Company held on 29 April 2022 based on KPMG International's internal policies. Accordingly, KPMG was no longer the Company's auditors with effect from 29 April 2022.

During FY2022, the aggregate amount of fees paid to the KPMG for the audit services for FY2021 amounted to S$181,961.

Having taken into account the ARC's recommendation and considered various factors listed in Paragraph 3.3 below, the Directors are of the opinion that Foo Kon Tan LLP ("**FKT**"), which is registered with ACRA, will be able to meet the audit requirements of the Group.

At the extraordinary general meeting held on 9 December 2022, FKT was appointed as auditor of the Company for FY2022.

During FY2022, the aggregate amount of fees payable to FKT for the audit for FY2022 and non-audit services-tax advisory services amounted to S$145,000 and S$2,889 respectively.

FKT is suitable for re-appointment and accordingly, the ARC has recommended to the Board that FKT be nominated for re-appointment as external auditors of the Company at the forthcoming AGM.

The Company's management has appointed JSC Baker Tilly Rus (from 20 January 2023 JSC Baker Tilly Rus was renamed to JSC Beterra) to replace KPMG LLP as the component auditors of all the foreign incorporated subsidiaries of the Company, namely (a) LLC Don Agro, (b) JSC Selkhoztekhnika, (c) JSC Rassvet, (d) JSC Don Agro, (e) JSC Tetra, (f) LLC Degtevskoe, (g) LLC Happy Cow, (h) LLC Volgo-Agro, and (i) LLC Rav Agro-Rost for the purpose of group reporting to the Company's principal auditors. The Group continues to engage LLC Audit-Vela as the statutory auditor of (a) LLC Don Agro, (b) JSC Selkhoztekhnika, (c) JSC Rassvet and (d) JSC Don Agro, and LLC Stolichnaya Audit Company as the statutory auditor of JSC Tetra.

The Board also confirms that Rule 712 and 715(2) of the Catalist Rules has been complied with.

No former partner or director of the Company's existing auditing firm has acted as a member of the ARC.

**Provision 10.5**

The ARC has met with the External and Internal Auditors at least once in the absence of Management in FY2022 and FY2023 respectively.

**Whistle-blowing**

The ARC is responsible for oversight and monitoring of whistle-blowing and has reviewed the Whistle-blowing Policy that the Group has established. The Policy provides mechanisms which ensure a secure and confidential channel that allows employees and external parties to report possible improprieties and disclose any wrongdoings such as fraud, misconduct, breach of any laws or any other illegal acts directly to the ARC Chairman. Reports can be lodged via email to whistleblower@donagroint.com. In addition, there are policies and reporting mechanisms for employees and customers to raise concerns to the management, who will escalate significant issues to the Board as required. Employees making the report in good faith and without malice are protected from reprisals, unfair treatment or victimization. The ARC is satisfied that arrangements are in place to ensure independent investigation of such matters and for appropriate follow-up actions to be taken. There was no whistle-blowing report received via the whistle-blowing channels in FY2022.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and conduct of general meetings

*Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

**Provision 11.1**

The Group's corporate governance practices promote fair and equitable treatment of all shareholders. All shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through announcements released on the SGXNet and notices contained in the annual reports or circulars sent to all shareholders. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. Shareholders are advised to refer to the Company's announcement on SGXNet on the notice of AGM which will be released in due course.

**Provision 11.2**

The Company takes note that there should be separate resolutions at general meetings on each substantially separate issue and to avoid bundling resolutions. Where the resolutions are "bundled" for issues which are interdependent and linked so as to form one significant proposal, the Company explains the reasons and material implications in the notice of meeting.

The Company typically ensures that there are separate resolutions at general meetings on each distinct issue. Detailed information on each item in the AGM/Extraordinary General Meeting ("**EGM**") agenda is provided in the explanatory notes to the Notice of AGM/EGM in the annual report.

**Provision 11.3**

General meetings of the Company are typically chaired by the Chairman of the Board and are also attended by other Directors (Chairmen of the NC, the RC and the ARC), Management, the Company Secretary and if necessary, the external and internal auditors. All Directors are present at all general meetings, unless of exigencies. At all general meetings, shareholders are given the opportunity to air their views and to ask the individual Directors and the Chairmen of the Board Committees questions regarding the Company. The external auditors are also present to assist the Board in answering the shareholders' queries about the conduct of audit, preparation and content of the auditor's report and other audit related matters, if necessary.

All Directors attended the AGM for the Company's financial year ended 31 December 2021 held on 29 April 2022 via electronic means and the EGM held on 9 December 2022 via electronic means.

**Provision 11.4**

Voting in absentia and by electronic mail may only be possible following careful study to ensure integrity of the information and authentication of the identity of shareholder through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

**Provision 11.5**

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and the minutes of general meetings will be made available on SGXNet within one (1) month from the date of the general meetings.

**Provision 11.6**

The Company currently does not have a fixed dividend policy. Nonetheless, key management personnel will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.

There is no final dividend declared or recommended for FY2022 is due to the Group's plans to conserve cash, improving working capital for potential further expansion of the Group.

Any dividend payments will be clearly communicated to shareholders via announcements on SGXNet.

**ENGAGEMENT WITH SHAREHOLDERS**

*Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

**Provision 12.1**

The Company is committed to disclose to its Shareholders the information in a timely and fair manner via announcements on SGXNet.

The Board will support and encourage active shareholders' participation at AGMs as it believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them. General meetings have been and are still the principal forum for dialogue with the shareholders. They offer opportunities for the Board to interact with shareholders, understand their views, gather feedback as well as address concerns. Enquiries by shareholders are dealt with as promptly as practicably possible.

The Company does not practice selective disclosure. Results and annual reports are announced or issued within the mandatory period.

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis through:

- annual reports that are prepared and sent to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the relevant accounting standards;
- half yearly and full yearly announcements containing a summary of the financial information;
- notices of AGMs and EGMs;
- press releases on major developments of the Group;
- disclosures to the SGX-ST; and
- the Group's website at www.donagroint.com at which shareholders can access information on the Group. The website provides, *inter alia*, products information and profile of the Group.

**Provision 12.2**

The Group does not have a formal investor relations policy but considers advice from its corporate lawyers and professionals before publishing press statements and financial results on the Company's website and SGXNet. All shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules of the SGX-ST and the Companies Act 1967.

The investor relations role is currently performed by Financial PR Sino-Lion Communications LLC who actively engages and promotes regular, effective and fair communication with shareholders. The Board would consider establishing an investor relations policy at the appropriate time and the appointment of a professional investor relations officer to manage the investor relations role should the need arise.

**Provision 12.3**

Shareholder may contact the Group with questions, and the manner in which the Group may respond to such questions, including *inter alia*, through announcements made on the SGXNet, the Company's website, the Company's AGM and EGMs.

## ENGAGEMENT WITH STAKEHOLDERS

*Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

**Provision 13.1**

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, contractors and suppliers, government and regulators, community, and shareholders and investors.

The Company engages its stakeholders through various channels (announcements via the SGXNet, general meetings and presentations to engage with these material stakeholders, company's website) to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

All shareholders receive the Company's annual report and notice of general meetings. The Board welcomes questions from Shareholders who wish to raise issues, either informally or formally before or during the general meetings.

To ensure that all shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company is conducted by poll where shareholders are accorded voting rights proportionate to their shareholding and all votes are counted and announced immediately at the meeting. The Company puts all resolutions to vote by poll at general meetings and the detailed results of the total number and percentage of votes cast for and against each resolution will be announced via SGXNet after the conclusion of the general meeting on the same day.

**Provision 13.2**

The Company has identified key areas of focus in relation to the management of stakeholder relationships. The details on the key areas of focus, are included in the Sustainability Report of this Annual Report.

**Provision 13.3**

The Group maintains a current corporate website, www.donagroint.com., through which shareholders are able to access up to date information on the Group. The website provides annual reports, financial information, profiles of the Group and contact details of the investor relations of the Group.

## DEALING IN SECURITIES

In accordance with the requirements of Rule 1204(19) of the Catalist Rules, the Company and its officers should not deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results, and ending on the date of announcement of the relevant results. The restriction extends to the issue of shares or other convertible securities by the Company, and the sale or purchase of shares or other convertible securities by its officers. Under the Securities and Futures Act 2001 ("**SFA**"), officers should note that it is an offence to deal in the Company's securities (as well as securities of other listed companies) while in possession of unpublished material price-sensitive information. They are also discouraged from dealing in the Company's securities on short-term considerations.

**INTERESTED PERSON TRANSACTIONS**

The Group has not obtained a general mandate from shareholders for recurrent interested person transactions. As at 31 December 2022 and 31 December 2021, the Group received a number of guarantees from a related party-Chief Executive Officer and Executive Director in connection with certain bank loans obtained by the Group in the amount of $6.2 million and $6.8 million, respectively. As no compensation, fees or other benefits have been paid or are payable by our Group to Mr Marat Devlet-Kildeyev for the provision of the sureties, our Directors are of the view that such sureties provided were not on an arm's length basis and not on normal commercial terms, but were not prejudicial to the interest of our Group and our minority Shareholders. Please refer to pages 170 to 172 of the Company's Offer Document for further details.

**NON-SPONSOR FEES**

The total amount of non-sponsor fees paid/payable to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2022 was S$20,000.

**SUSTAINABILITY REPORTING**

The Company undertakes an annual review in identifying its material stakeholders, which include our customers, employees, suppliers, investors, government institutions and communities, and engages them as and when required. In particular, the Group places a strong focus on the ESG matters. The Company will publish its standalone FY2022 Sustainability Report no later than 29 April 2023 on the Company's website as well as on SGXNet.

The Group will disclose in the report the requisite descriptive and quantitative information on how business is conducted and how its ESG factors are being managed for a sustainable future, in compliance with the Catalist Rules and Global Reporting Initiative (GRI) Sustainability Reporting Standards. The Company will continue to demonstrate its commitment to grow its sustainable business model both as a responsible and a forward-looking corporate citizen.

The Sustainability Report will be on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F of the Catalist Rules. In accordance with GRI's emphasis on materiality, the Sustainability Report will highlight the key environmental, social and governance related initiatives carried out throughout the 12-month period from 1 January 2022 to 31 December 2022. Further details on the Company's sustainable practices are contained in the Company's FY2022 Sustainability Report to be issued by 29 April 2023.

**MATERIAL CONTRACTS**

There were no material contracts entered into by the Group involving the interest of any Director or controlling shareholder of the Company, either subsisting at the end of the financial year, or if not then subsisting, entered into since the end of the previous financial year.

# DIRECTOR'S **STATEMENT**

The directors are pleased to present their statement to the members of Don Agro International Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") and statement of financial position of the Company for the financial year ended 31 December 2022.

In our opinion:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**Name of directors**

The directors of the Company in office at the date of this statement are as follows:

Evgeny Tugolukov
Marat Devlet-Kildeyev
Ravi Chidambaram
Tan Han Beng
Edwin Tham Soong Meng

**Arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures**

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed in this statement.

**Directors' interests in shares or debentures**

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Shareholdings registered in the name of directors | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| | As at 1.1.2022 | As at 31.12.2022 | As at 1.1.2022 | As at 31.12.2022 |
| **The Company** | Number of ordinary shares | | | |
| Evgeny Tugolukov | 117,500,000 | 117,500,000 | – | – |
| Marat Devlet-Kildeyev | 7,500,000 | 7,500,000 | – | – |

There were no changes to any of the above-mentioned directors' interest between the end of the financial year and 21 January 2023.

**Share options**

In conjunction with our listing on the Catalist Board of Singapore Exchange Securities Trading Limited ("Catalist") we have adopted a share option scheme known as the "Don Agro Employee Share Option Scheme" ("ESOS") which was approved at an Extraordinary General Meeting of our Shareholders held on 4 February 2020. The ESOS shall continue in operation for a maximum duration of 10 years commencing on the date on which the ESOS is adopted by our Company in general meeting and may be continued for any further period thereafter with the approval of our Shareholders. No options were issued under the ESOS.

**Summary of the ESOS**

The following is a summary of the rules of the ESOS which should be read in conjunction with the Rules of the Don Agro Employee Share Option Scheme:

**(1) Participants**

Confirmed Group Employees (including Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the ESOS at the absolute discretion of the Committee.

Confirmed Group Employees (including Executive Directors) and Non-Executive Directors (including Independent Directors) who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the ESOS provided that (a) the participation of, and (b) the terms of any Options to be granted and the actual number of Shares to be granted under the ESOS, to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person.

**(2) Administration**

The ESOS shall be administered by the Committee with powers to determine, *inter alia*, the following:

(a) persons to be granted Options;

(b) number of Options to be granted; and

(c) recommendations for modifications to the ESOS.

The Committee will consist of Directors who are in the Remuneration Committee (including Directors or persons who may be participants of the ESOS). A member of the Committee who is also a participant of the ESOS must not be involved in any deliberation or decision in respect of Options granted or to be granted to him.

**(3) Size of the ESOS**

The total number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of (a) all Options granted under the ESOS; and (b) all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15.0% of the number of issued Shares (including treasury shares, as defined in the Act) on the day immediately preceding the Offer Date of the Option. Our Directors believe that this limit gives us sufficient flexibility to decide upon the number of Option Shares to offer to our existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of Options available under the ESOS is limited, our Company may only be able to grant a small number of Options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that the Committee will definitely issue Option Shares up to the prescribed limit. The Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

**Share options (cont'd)**

**Summary of the ESOS (cont'd)**

**(4) Maximum entitlements**

The aggregate number of Shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, potential for future development of that participant. The aggregate number of Shares in respect of which Options may be granted to the Controlling Shareholders or Associates of the Controlling Shareholders under the ESOS shall not exceed 25.0% of the total number of Shares available under the ESOS. The aggregate number of Shares in respect of which Options may be granted to any individual Controlling Shareholders or Associates of the Controlling Shareholders under the ESOS shall not exceed 10.0% of the total number of Shares available under the ESOS.

**(5) Options, exercise period and exercise price**

The Options that are granted under the ESOS may have exercise prices that are, at the Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the Shares on the Official List of Catalist for the five (5) consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("Market Price Option") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price ("Discounted Option") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will expire upon the tenth anniversary of the date of grant of that Option (or, in the case of Options granted to a Non-Executive Director, upon the fifth anniversary of the date of grant of that Option).

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

**Independent auditor**

At the extraordinary general meeting of the Company held on 9 December 2022, Foo Kon Tan LLP was appointed as the independent auditor of the Company.

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

EVGENY TUGOLUKOV

MARAT DEVLET-KILDEYEV

Dated: 14 April 2023

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Don Agro International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to Note 30 of the financial statements, which describes the geopolitical uncertainties and economic impact on the Group arising from the ongoing armed conflict between Russia and Ukraine. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**(i) Valuation of biological assets**

The Group operates various farms and plantations for which the following significant biological assets, dairy cows and agricultural crops, are measured at fair value. These significant biological assets are measured at fair value by management using industry/market accepted valuation methodology and approaches. As the measurement of fair value involves judgement on the assumptions and estimates used, we have considered this to be a key audit matter.

*Our responses and work performed*

We had obtained the valuations of biological assets prepared by management. We have reviewed the appropriateness of the fair value methodology used and reasonableness of the key assumptions used, which includes the forecast cash flows, discount rates and market prices for the crops as well as yield rates for the dairy cows and market prices of the livestock. We have also reviewed the adequacy of the Group's disclosures in relation to biological assets as disclosed in Note 7.

**Key Audit Matters (cont'd)**

**(i) Valuation of biological assets (cont'd)**

*Our responses and work performed (cont'd)*

We have assessed the valuation of the biological assets, and found that the methodology used is comparable to industry practice, and that the key assumptions used, being the discounted cash flows, discount rates, market prices and yield rates, are reasonable.

We have also considered the adequacy of the disclosures made in the financial statements in respect of estimation uncertainty and judgment applied.

**(ii) Valuation of freehold land**

The Group's freehold land with a carrying amount of $35.4 million, as disclosed in Note 3 to the financial statements, are measured using the revaluation model, representing 36% of the Group's total assets as at 31 December 2022. The Group's accounting policy is to state the freehold land at fair value based on annual independent external valuations. The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. A small change in the key assumptions applied by the valuers such as the discount rate, terminal yield rate, capitalisation rate and price per square metre can have a significant impact to the valuation. During the year, the Group recorded a revaluation gain of $7.0 million net of tax in the revaluation reserve through other comprehensive income. As the measurement of fair value involves judgement on the assumptions and estimates used, we have considered this to be a key audit matter.

*Our responses and work performed*

In respect of the valuation of the Group's freehold land, we understood the valuation methodologies used, namely the direct comparison method, against those applied by the external valuers of similar land plots. Through our appointed auditor's expert, we have compared the key assumptions used in the external valuers' valuation such as and assessing the price per square metre against historical trends and available industry data, taking into consideration comparability and market factors, as well as understand how the implications of the geopolitical uncertainties were considered in the valuations, and considered whether these assumptions are consistent with the current market environment. We have also reviewed the mathematical accuracy of the fundamental calculation steps.

We have evaluated the professional competence, qualifications and objectivity of the management experts and obtained an understanding of the work of the management experts and evaluated the appropriateness of the auditor's experts' work as audit evidence for the relevant assertion. We evaluated whether the auditor's expert has the necessary competence, capability and objectivity for our group audit purposes. We have also discussed with the external valuers to understand how they have considered the implications of the ongoing geopolitical uncertainties in the valuations.

We have also considered the adequacy of the disclosures made in the financial statements in respect of estimation uncertainty and judgment applied.

**(iii) Impairment assessment of non-financial assets**

The Group reported losses before tax of $1.8 million for the financial year ended 31 December 2022, attributable to the significant decline in the Group's gross profit margin to 7%.

The reported loss arose from the Group's Crops segment which reported losses of $2.8 million, attributable to the record-breaking grain harvest and continued geopolitical uncertainties from the ongoing Russian-Ukraine war. Accordingly, management assessed that impairment indicators exist on the non-financial assets of the Group's Crops segment comprising property, plant and equipment, right-of-use assets and goodwill, as disclosed in Notes 3, 4 and 6 to the financial statements.

Management estimated the recoverable amounts of these non-financial assets using the value-in-use methodology of the respective CGUs to determine if any impairment is required.

**Key Audit Matters (cont'd)**

**(iii) Impairment assessment of non-financial assets (cont'd)**

As the measurement of fair value involves judgement on the assumptions and estimates used, we have considered this to be a key audit matter.

*Our responses and work performed*

We evaluated the appropriateness of the cash generating units identified by management based on the understanding of the business structure of the Group and reviewed for indicators of impairment on the CGUs associated with the non-financial assets.

Through the involvement of the appointed auditor's expert, we assessed the appropriateness of the recoverable amount determined based on the value-in-use methodology by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU, and reasonableness of the key assumptions used, namely the appropriateness of the cash flow forecast used by comparing against historical performance, comparing the discount rate and terminal growth rate against available industry data and perform sensitivity analysis of the key assumptions used to determine whether reasonable changes to assumptions would change the outcome of the impairment assessment.

We have also considered the adequacy of the disclosures made in the financial statements in respect of estimation uncertainty and judgment applied.

**Other Matter**

The financial statements for the year ended 31 December 2021 were audited by another firm of auditors whose report dated 14 April 2022 expressed an unmodified opinion on those financial statements with an emphasis of matter similar to that included in our report.

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting processes.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chin Bo Wui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
14 April 2023

# STATEMENTS OF
# FINANCIAL POSITION

As at 31 December 2022

| | Note | The Group 31 December 2022 $'000 | The Group 31 December 2021 $'000 | The Company 31 December 2022 $'000 | The Company 31 December 2021 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 47,280 | 37,615 | – | – |
| Right-of-use assets | 4 | 4,496 | 5,993 | – | – |
| Investments in subsidiaries | 5 | – | – | 16,616 | 16,639 |
| Goodwill | 6 | 471 | 465 | – | – |
| Biological assets | 7 | 10,723 | 7,557 | – | – |
| Other non-current assets | | 15 | 22 | – | – |
| | | 62,895 | 51,652 | 16,616 | 16,639 |
| **Current Assets** | | | | | |
| Biological assets | 7 | 8,739 | 9,757 | – | – |
| Inventories | 8 | 20,336 | 17,549 | – | – |
| Trade and other receivables | 9 | 2,856 | 3,417 | 2,109 | 3,069 |
| Cash and cash equivalents | 10 | 3,164 | 6,769 | 1,524 | 1,544 |
| | | 35,095 | 37,492 | 3,633 | 4,613 |
| **Total assets** | | 98,080 | 89,144 | 20,249 | 21,252 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 11 | 40,667 | 40,667 | 40,911 | 40,911 |
| Capital reserve | 12 | (10,450) | (10,450) | (21,270) | (21,270) |
| Revaluation reserve | 12 | 24,020 | 16,975 | – | – |
| Foreign currency translation reserve | 12 | (7,373) | (7,539) | – | – |
| Retained profits/ (accumulated losses) | | 25,964 | 27,948 | (62) | 833 |
| **Equity attributable to owners of the Company** | | 72,828 | 67,601 | 19,579 | 20,474 |
| Non-controlling interests | | 59 | 43 | – | – |
| **Total equity** | | 72,887 | 67,644 | 19,579 | 20,474 |
| **Non-Current Liabilities** | | | | | |
| Deferred tax liabilities | 13 | 5,815 | 4,195 | – | – |
| Deferred income | | 192 | 286 | – | – |
| Lease liabilities | 4 | 4,283 | 5,396 | – | – |
| Loans and borrowings | 14 | 1,131 | 452 | – | – |
| Trade and other payables | 15 | – | – | 70 | – |
| | | 11,421 | 10,329 | 70 | – |
| **Current Liabilities** | | | | | |
| Deferred income | | 97 | 78 | – | – |
| Lease liabilities | 4 | 1,175 | 1,123 | – | – |
| Loans and borrowings | 14 | 5,039 | 6,299 | – | – |
| Trade and other payables | 15 | 6,587 | 2,887 | 600 | 778 |
| Provisions | 16 | 678 | 628 | – | – |
| Current tax liabilities | | 196 | 156 | – | – |
| | | 13,772 | 11,171 | 600 | 778 |
| **Total liabilities** | | 25,193 | 21,500 | 670 | 778 |
| **Total equity and liabilities** | | 98,080 | 89,144 | 20,249 | 21,252 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS
# AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | Note | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Revenue | 17 | 37,936 | 30,944 |
| Cost of sales | 18 | (37,068) | (29,025) |
| Gain from change in fair value of biological assets | 7 | 1,671 | 9,956 |
| **Gross profit** | | 2,539 | 11,875 |
| Bargain purchase from acquisition of subsidiary | | – | 2,567 |
| Administrative expenses | 19 | (3,443) | (3,335) |
| Other operating (expenses)/ income, net | 20 | (4) | 276 |
| **(Loss)/ profit from operating activities** | | (908) | 11,383 |
| Finance income | | 398 | 191 |
| Finance costs | | (1,266) | (962) |
| **Net finance costs** | 21 | (868) | (771) |
| **(Loss)/ profit before tax** | | (1,776) | 10,612 |
| Tax expense | 22 | (192) | (280) |
| **(Loss)/ profit for the year** | | (1,968) | 10,332 |
| **Other comprehensive income/(loss) after tax:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign currency translation differences arising from foreign operations, at nil tax | | 166 | (43) |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Revaluation of property, plant and equipment | 3 | 8,806 | 21,219 |
| Related income tax | 13 | (1,761) | (4,244) |
| Other comprehensive income for the year, net of tax | | 7,211 | 16,932 |
| **Total comprehensive income for the year** | | 5,243 | 27,264 |
| **(Loss)/ profit for the year attributable to:** | | | |
| Owners of the Company | | (1,984) | 10,321 |
| Non-controlling interests | | 16 | 11 |
| | | (1,968) | 10,332 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | 5,227 | 27,253 |
| Non-controlling interests | | 16 | 11 |
| | | 5,243 | 27,264 |
| **(Loss)/ earnings per share:** | | | |
| Basic and diluted (loss)/ earnings per share (cents) | 25 | (1.32) | 6.87 |

# CONSOLIDATED STATEMENT OF
# CHANGES IN EQUITY

For the year ended 31 December 2022

| | Share capital $'000 | Capital reserve $'000 | Revaluation reserve $'000 | Foreign currency translation reserve $'000 | Retained profits $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 40,667 | (10,450) | – | (7,496) | 20,646 | 43,367 | 32 | 43,399 |
| Profit for the year | – | – | – | – | 10,321 | 10,321 | 11 | 10,332 |
| **Other comprehensive income/ (loss)** | | | | | | | | |
| Foreign currency translation differences arising from foreign operations, at nil tax | – | – | – | (43) | – | (43) | – | (43) |
| Revaluation of property, plant and equipment (Note 3) | – | – | 21,219 | – | – | 21,219 | – | 21,219 |
| Related income tax (Note 13) | – | – | (4,244) | – | – | (4,244) | – | (4,244) |
| Total comprehensive income/ (loss) for the year | – | – | 16,975 | (43) | 10,321 | 27,253 | 11 | 27,264 |
| **Transactions with owners recognised directly in equity:** | | | | | | | | |
| Dividends (Note 11) | – | – | – | – | (3,019) | (3,019) | – | (3,019) |
| **At 31 December 2021** | 40,667 | (10,450) | 16,975 | (7,539) | 27,948 | 67,601 | 43 | 67,644 |
| Loss for the year | – | – | – | – | (1,984) | (1,984) | 16 | (1,968) |
| **Other comprehensive income/ (loss)** | | | | | | | | |
| Foreign currency translation differences arising from foreign operations, at nil tax | – | – | – | 166 | – | 166 | – | 166 |
| Revaluation of property, plant and equipment (Note 3) | – | – | 8,806 | – | – | 8,806 | – | 8,806 |
| Related income tax (Note 13) | – | – | (1,761) | – | – | (1,761) | – | (1,761) |
| Total comprehensive income/ (loss) for the year | – | – | 7,045 | 166 | (1,984) | 5,227 | 16 | 5,243 |
| **At 31 December 2022** | 40,667 | (10,450) | 24,020 | (7,373) | 25,964 | 72,828 | 59 | 72,887 |

# CONSOLIDATED STATEMENT OF
# CASH FLOWS

For the year ended 31 December 2022

| | Note | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| (Loss)/ profit for the year | | (1,968) | 10,332 |
| *Adjustments for:* | | | |
| Bargain purchase from acquisition of subsidiary | | – | (2,567) |
| Depreciation of property, plant and equipment and right-of-use assets | 3,4 | 4,020 | 2,958 |
| Finance costs | 21 | 1,266 | 962 |
| Finance income | 21 | (398) | (191) |
| Gain on disposal of property, plant and equipment | | (30) | (46) |
| Gain from change in fair value of biological assets | 7 | (1,671) | (9,956) |
| Impairment loss recognised on trade and other receivables | 20 | 3 | 1 |
| Inventories written down | 18 | 427 | 457 |
| Provision for inventory obsolescence | 20 | 127 | 165 |
| Provision made, net | 16 | 602 | 660 |
| Tax expense | 22 | 192 | 280 |
| Operating profit before working capital changes | | 2,570 | 3,055 |
| Changes in inventories | | (3,421) | (7,845) |
| Changes in trade and other receivables | | 638 | (168) |
| Changes in biological assets | | (479) | 9,867 |
| Changes in trade and other payables and provisions | | 2,383 | (3,167) |
| Changes in deferred income | | (90) | (85) |
| Cash generated from operations | | 1,601 | 1,657 |
| Income tax paid | | (116) | (258) |
| Net cash generated from operating activities | | 1,485 | 1,399 |
| **Cash Flows from Investing Activities** | | | |
| Acquisition of subsidiary, net of cash acquired | | – | (2,636) |
| Deposits returned | | – | 4,246 |
| Interest received | | 321 | 173 |
| Purchase of property, plant and equipment | 3 | (4,438) | (2,607) |
| Proceeds from sale and disposal of property, plant and equipment | | 155 | 120 |
| Net cash used in investing activities | | (3,962) | (704) |
| **Cash Flows from Financing Activities** | | | |
| Dividends paid | | – | (2,900) |
| Interest paid | Note A | (614) | (362) |
| Proceeds from borrowings | Note A | 10,742 | 6,653 |
| Repayment of borrowings | Note A | (11,503) | (7,293) |
| Repayment of lease liabilities | Note A | (294) | (121) |
| Net cash used in financing activities | | (1,669) | (4,023) |
| Net decrease in cash and cash equivalents | | (4,146) | (3,328) |
| Cash and cash equivalents at beginning of year | | 6,769 | 9,992 |
| Effects of exchange rate fluctuations on cash held | | 541 | 105 |
| Cash and cash equivalents at end of year | 10 | 3,164 | 6,769 |

Note A:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Secured bank loans $'000 (Note 14) | Loans from third parties $'000 (Note 14) | Lease liabilities $'000 (Note 4) | Total $'000 |
|---|---|---|---|---|
| At 1 January 2021 | 7,140 | 6 | 5,182 | 12,328 |
| Cash flows: | | | | |
| - Proceeds from borrowings | 6,653 | – | – | 6,653 |
| - Repayment of borrowings | (7,099) | (194) | – | (7,293) |
| - Repayment of lease liabilities | – | – | (121) | (121) |
| - Interest paid | (296) | (3) | (63) | (362) |
| | (742) | (197) | (184) | (1,123) |
| Non-cash changes: | | | | |
| - Acquisition of subsidiary | – | 194 | 420 | 614 |
| - Finance costs | 296 | 2 | 735 | 1,033 |
| - Finance income | – | – | (18) | (18) |
| - Remeasurement of right-of-use assets | – | – | 1,121 | 1,121 |
| - Modification of right-of-use assets | – | – | 534 | 534 |
| - New leases | – | – | 9 | 9 |
| - Payment-in-kind | – | – | (1,299) | (1,299) |
| | 296 | 196 | 1,502 | 1,994 |
| Effect on movement in exchange rates | 54 | (2) | 19 | 71 |
| At 31 December 2021 | 6,748 | 3 | 6,519 | 13,270 |
| Cash flows: | | | | |
| - Proceeds from borrowings | 10,742 | – | – | 10,742 |
| - Repayment of borrowings | (11,503) | – | – | (11,503) |
| - Repayment of lease liabilities | – | – | (294) | (294) |
| - Interest paid | (429) | – | (185) | (614) |
| | (1,190) | – | (479) | (1,669) |
| Non-cash changes: | | | | |
| - Finance costs | 429 | – | 834 | 1,263 |
| - Finance income | – | – | (77) | (77) |
| - Remeasurement of right-of-use assets | – | – | (867) | (867) |
| - Modification of right-of-use assets | – | – | 290 | 290 |
| - Loan extinguished | – | (5) | – | (5) |
| - New leases | – | – | 3 | 3 |
| - Payment-in-kind | – | – | (1,002) | (1,002) |
| | 429 | (5) | (819) | (395) |
| Effect on movement in exchange rates | 183 | 2 | 237 | 422 |
| **At 31 December 2022** | 6,170 | – | 5,458 | 11,628 |

## 1 General Information

### 1.1 The Company

The consolidated financial statements of the Group and statement of financial position of the Company for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company was incorporated as Don Agro International Private Limited on 16 October 2018 and is domiciled in the Republic of Singapore. The Company was a private company limited by shares with an issued and paid-up share capital of $100 comprising 100 shares of which 6% and 94% are held by Mr Marat Devlet-Kildeyev and Mr Evgeny Tugolukov, respectively. On 4 February 2020, the Company was converted into a public company limited by shares and changed its name to Don Agro International Limited. The Company's registered address is 10 Collyer Quay, #10-01, Ocean Financial Centre, Singapore 049315.

The Company was listed on the Catalist Board of Singapore Exchange Securities Trading Limited on 14 February 2020.

The Group's principal business activity is growing, processing and distribution of agricultural and dairy products, mainly grain and milk at farms located in the Rostov Region. The Group's products are sold in the Russian Federation.

As the Group's operations are primarily located in the Russian Federation, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

In February 2022, following the recognition of republics of Donetsk and Lugansk and the commencement of military operations in Ukraine by the Russian Federation, additional sanctions were introduced by the United States of America, the European Union and some other countries against Russia. Moreover, there is an increased risk that even further sanctions may be introduced. This may have significant adverse impact on Russia's economy. These events have led to depreciation of the Russian rouble, increased volatility of financial markets and significantly increased the level of economic uncertainty in the Russian business environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

### 1.2 The restructuring exercise ("Restructuring Exercise")

Pursuant to a share swap agreement dated 21 November 2019 entered into between the Company and Vallerd Investments Limited, the Company acquired from Vallerd Investments Limited, the entire issued and paid-up share capital of JSC Tetra held by it, comprising an aggregate of 62,403,000 ordinary shares for a total consideration of $35,741,000 based on the unaudited Net Tangible Assets ("NTA") of Tetra JSC and its subsidiaries as at 30 June 2019. The purchase consideration was satisfied by the issue and allotment of an aggregate of 9,999,900 shares in the capital of the Company ("Consideration Shares") credited as fully paid-up and was arrived at on a willing buyer, willing seller basis.

## 1 General Information (cont'd)

### 1.2 The restructuring exercise ("Restructuring Exercise") (cont'd)

The Restructuring Exercise was accounted for as a combination of businesses under common control by Mr Evgeny Tugolukov and Mr Marat Devlet-Kildeyev, as they control the entities within the Group before and after the Restructuring Exercise. The presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant periods, as a single economic enterprise, notwithstanding that the Restructuring Exercise was completed during 2020.

### 1.3 Transfer of entities under common control

The Restructuring Exercise is considered to be an acquisition of equity interests by entities under common control and therefore the entities acquired by the Group pursuant to the restructuring have been accounted for in a manner similar to the pooling-of-interest method. Accordingly, the assets and liabilities of these entities have been included in the consolidated financial statements at their historical carrying amounts. Although the share swap agreement was entered on 21 November 2019, the consolidated financial statements present the financial condition, results of operations and cash flows as if the restructuring had occurred as of the beginning of the earliest period presented.

### 1.4 Subsidiaries

The consolidated financial statements of the Group have been prepared to reflect the operations of the Company and the subsidiaries as a single economic enterprise and consist of those companies under common control during the years ended 31 December 2022 and 2021.

## 2(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations promulgated by the Accounting Standards Council ("ASC").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars ("$"). The functional currency of the Company is the Singapore dollars. Assets and liabilities are translated from RUB functional currency to $ at rates of exchange ruling at the respective reporting date. All equity items are translated at historical rates. The results for the respective years are translated using the average rate. Resultant exchange differences are recognised directly in equity, in the foreign currency translation reserve. All financial information presented in $ has been rounded to nearest thousand, unless otherwise stated.

The accounting policies have been applied consistently to all years presented in these financial statements.

**Significant accounting estimates and judgement**

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**2(a) Basis of preparation (cont'd)**

**Significant accounting estimates and judgement (cont'd)**

The critical accounting estimates and assumptions used in applying accounting policies and areas involving a high degree of judgement are described below.

(a) *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Identification of functional currency

The functional currency of each entity in the Group is the currency of the primary economic environment in which it operates. Determination of the functional currency involves significant judgement and other companies may make different judgements based on similar facts. Management reconsiders the functional currency if there is a change in the underlying transactions, events and conditions which determines its primary economic environment.

The determination of functional currency affects the carrying amount of the non-current assets included in the statements of financial position and, as a consequence, the amortisation of those assets included in the consolidated statement of comprehensive income. It also impacts the exchange gains and losses included in the consolidated statement of comprehensive income.

*Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Depreciation of property, plant and equipment (Note 3)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group regularly reviews the estimated useful lives of the assets in order to determine the amount of depreciation expense to be recorded at each financial year. Useful lives are derived based on management's judgement of the period in which the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long lives of assets, changes to the estimates used can result in significant variations in the carrying value. A reduction in the estimated useful lives of these non-financial assets would increase depreciation expense and decrease non-current assets.

(ii) Valuation of freehold land (Note 3)

The Group's freehold land carried at valuation were valued using the comparison approach which entails analysing recent transactions and asking prices of similar properties in and around the locality for comparison purposes with adjustments made for differences in location, size, condition, tenure, title restrictions, if any and other relevant characteristics.

In 2022, the key unobservable input used in the valution were (a) the sales price per hectare of $2,117 (2021 - $1,491) for the argicultural lands in Rostov region; (b) the sales price per hectare of $267 (2021 - $200) for the argicultural lands in Volgograd region; and (c) the sales price per hectare of $22,613 (2021 - $16,910) for the industrial lands derived from market data from an active and transparent market, respectively. A 10% increase/decrease sales price per hectare will increase/decrease the carrying amount of freehold land by $3,537,000 (2021 - $2,677,000); increase/ decrease the deferred tax liabilities by $707,000 (2021 - $535,000); and increase/ decrease the revaluation gain of $2,830,000 (2021 - $2,142,000) net of tax in the revaluation reserve through other comprehensive income.

**2(a) Basis of preparation (cont'd)**

**Significant accounting estimates and judgement (cont'd)**

(a) *Judgements made in applying accounting policies (cont'd)*

*Key sources of estimation uncertainty (cont'd)*

(iii) Impairment of non-financial assets (Notes 3, 4, 5 and 6)

The Group and the Company assess whether there are any indicators of impairment for non-financial assets, comprising property, plant and equipment, right-of-use assets and investments in subsidiaries at the end of each reporting period. A cash generating unit to which goodwill has been allocated shall be tested for impairment annually, and when there is an indication that the unit may be impaired. Non-financial assets other than goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. When value-in-use calculation is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, it is determined by making reference to a recent sale transaction. The carrying amounts of the Group's and the Company's non-financial assets are disclosed in Notes 3, 4, 5 and 6, respectively. A 1% increase in the discount rate in the discount rate, as applied in the VIU calculations, will not lead to further impairment loss recognised on these non-financial assets.

(iv) Valuation of biological assets (Note 7)

The carrying amount of the Group's biological assets, excluding permanent grass, was determined using the value-in-use approach by discounting the pre-tax future cash flows to be generated, which entails the key unobservable inputs used as disclosed in Note 7 to the consolidated financial satements. An increase/decrease of 50 basis points in the discount rate as applied in the value-in-use calculations will not have a material impact on these biological assets.

The geopolitical uncertainties arising from the ongoing Russian-Ukraine war could have a significant impact on the Group's assets and liabilities.

**2(b) Adoption of new and amended standards and interpretations**

The Group has applied the following SFRS(I), amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

- Amendment to SFRS(I) 16 : *Covid-19- Related Concessions beyond 30 June 2021*
- Amendment to SFRS(I) 3 : *Reference to the Conceptual Framework*
- Amendment to SFRS(I) 1-16 : *Property, plant and equipment- Proceeds before Intended Use*
- Amendment to SFRS(I) 37 : *Onerous Contracts- Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

The application of these amendments to standards and interpretations does not have a material effect on the financial statement.

**2(c) Standards issued but not yet effective**

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application.

| **Reference** | **Description** | **Effective date (Annual periods beginning on or after)** |
|---|---|---|
| SFRS(I) 17 | *Insurance Contracts* | 1 January 2023 |
| Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 | *Disclosure of Accounting Policies* | 1 January 2023 |
| Amendments to SFRS(I) 1-8 | *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to SFRS(I) 1-12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| Amendments to SFRS(I) 1-1 | *Classification of Liabilities as Current or Non-current* | 1 January 2024 |
| Amendments to SFRS(I) 1-1 | *Non-current Liabilities with Covenants* | 1 January 2024 |
| Amendments to SFRS(I) 16 | *Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Yet to be determined |

**2(d) Summary of significant accounting policies**

**Basis of consolidation**

Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the consideration transferred (generally measured at fair value); plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally measured at fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

**2(d) Summary of significant accounting policies (cont'd)**

**Basis of consolidation (cont'd)**

Business combinations (cont'd)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in surplus or deficit. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

**2(d) Summary of significant accounting policies (cont'd)**

**Basis of consolidation (cont'd)**

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. The fair value of any interest retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Foreign currency**

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of in such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**2(d) Summary of significant accounting policies (cont'd)**

**Foreign currency (cont'd)**

Foreign operations (cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

**Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at either cost less accumulated depreciation and accumulated impairment losses, except for land which is measured using revaluation model.

Any revaluation increase arising from the revaluation of freehold land is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged to profit or loss. A decrease in carrying amount arising on the revaluation of freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserves relating to a previous revaluation of that asset.

On the subsequent sale or retirement of freehold land, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained profits. No transfer is made from the revaluation reserve to retained profits except when the asset is derecognised.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**2(d) Summary of significant accounting policies (cont'd)**

**Property, plant and equipment (cont'd)**

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of assets, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Freehold land and properties under construction in progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and previous years are as follows:

| | | |
|---|---|---|
| Buildings | : | 7 - 50 years |
| Plant and equipment | : | 3 - 12 years |
| Motor vehicles | : | 3 - 10 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**Leases**

***As a lessee***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

**2(d) Summary of significant accounting policies (cont'd)**

**Leases (cont'd)**

***As a lessee (cont'd)***

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In accordance with SFRS(I) 16, variable payments which do not depend on index or rate, i.e. do not reflect changes in market rental rates, should not be included in the calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not be included in the measurement of the lease liability.

The Group leases a number of land plots under lease agreements that typically run for a period of 10 years, with an option to renew the lease after expiration. The Group determined the lease term as a contract term.

For majority of lease agreements, rent is established as a payment in-kind in a form of agricultural produce harvested by the Group. At the commencement date, the Group measures the lease liability at the present value of the payments in-kind that are not paid at that date. The following payments are not included in the measurement of lease liability: plowing services, ritual services, and reimbursement of land tax to the lessor.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

***Short-term leases and leases of low-value assets***

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

**2(d) Summary of significant accounting policies (cont'd)**

**Impairment of non-financial assets (cont'd)**

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Biological assets and agricultural produce**

Biological assets of the Group consist of unharvested crops (grain crops and other plant crops) permanent grass and livestock (dairy cows which are able to produce milk (mature livestock), heifers and calves, being raised to produce milk in the future (immature livestock)). Bearer livestock and permanent grass are classified as non-current assets and unharvested crops are classified as current assets in the statement of financial position of the Group.

Crops are measured at fair value less costs to sell, which include all costs that would be necessary to sell the assets. Permanent grass is stated at cost less accumulated depreciation and accumulated impairment losses.

The fair value of agricultural produce at the point of harvest is based on the market price less costs to sell.

Upon harvest, grain crops and other plant crops are included into inventory for further processing or for sale and are initially measured at their fair value less cost to sell at the date of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in profit or loss in the period in which it arises.

Livestock is measured at their fair value less estimated point-of-sale costs. The fair value of livestock is based on cash flows model discounted using a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the asset.

All the gross gains or loss arising from initial recognition of biological assets and from changes in fair value less costs to sell of biological assets are included as a separate line "gain/(loss) from change in fair value of biological assets" above the gross profit line.

Cost to sell include all costs that would be necessary to sell the assets.

**Inventories**

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity).

The cost of agricultural produce transferred from biological assets is its fair value less costs to sell at the date of harvest.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

**2(d) Summary of significant accounting policies (cont'd)**

**Financial instruments**

Financial instruments carried on the statement of financial position include financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These are recognised on the Group's and the Company's statement of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Disclosures of the Group's and the Company's financial risk management objectives and policies are provided in Note 28.

Financial assets and financial liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Financial assets**

<u>Initial recognition and measurement</u>

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs.

Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

<u>Subsequent measurement</u>

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

The Group and the Company do not hold any financial assets at FVOCI or financial assets at FVTPL.

**2(d) Summary of significant accounting policies (cont'd)**

**Financial assets (cont'd)**

Subsequent measurement (cont'd)

Subsequent measurement of debt instruments depends on the Group's and the Company's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding of the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the consolidated statement of comprehensive income when the assets are derecognised or impaired, and through the amortisation process.

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents.

Impairment of financial assets

The Group recognises loss allowances for ECLs (expected credit loss) on financial assets measured at amortised costs.

Loss allowance for the Group is measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12-months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

**2(d) Summary of significant accounting policies (cont'd)**

**Financial assets (cont'd)**

General approach (cont'd)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risks.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**2(d) Summary of significant accounting policies (cont'd)**

**Value-added tax**

Revenue, expenses and assets are recognised net of the amount of value-added tax ("VAT"), except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and except that trade receivables and trade payables are recorded with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authorities are included as part of other receivables or other payables in the statement of financial position.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits placed with financial institutions.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**Dividends**

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the regulation of constitution of the Company that grants the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

**Financial liabilities**

Initial recognition and measurement

The Group and the Company determine the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

Borrowings to be settled within the Group's normal operating cycle are considered as "current". Other borrowings due to be settled more than 12 months after the reporting date are included in "non-current" borrowings in the statement of financial position. Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments.

Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

**2(d) Summary of significant accounting policies (cont'd)**

**Financial liabilities (cont'd)**

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

**Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

**Revenue**

Revenue from sale of crops and dairy milk and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised crop or dairy milk or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised crop or dairy milk or services. The individual standalone selling price of a crop or dairy milk or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to crop, dairy milk and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised crop or dairy milk or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

**Finance costs**

Finance costs comprise interest expense on loans and borrowings, and lease liabilities. Interest expense is recognised using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**2(d) Summary of significant accounting policies (cont'd)**

**Government grants**

A conditional government grant related to property, plant and equipment are recognised initially as "deferred income" at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are presented at gross presentation basis in the consolidated financial statements. These grants are then recognised in profit or loss as "other operating income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for finance cost incurred are recognised in profit or loss as reduction in "finance costs" on a systematic basis in the same periods in which the finance costs are recognised.

**Employee benefits**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**Related parties**

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company and the Group if that person:

 (i) has control or joint control over the Company;

 (ii) has significant influence over the Company; or

 (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.

(b) An entity is related to the Company and the Group if any of the following conditions applies:

 (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

 (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

 (iii) both entities are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

 (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

**2(d) Summary of significant accounting policies (cont'd)**

**Related parties (cont'd)**

(b) An entity is related to the Company and the Group if any of the following conditions applies: (cont'd)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Income taxes**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes; if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

**2(d) Summary of significant accounting policies (cont'd)**

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**Fair value measurement**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair value. This includes a finance team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and report directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as source documents, is used to measure values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of SFRS(I), including the level in fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Board of directors.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values are included in Note 3 Property, plant and equipment, Note 6 Goodwill and Note 7 Biological assets.

**2(d) Summary of significant accounting policies (cont'd)**

**Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Directors of the Company include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

## 3 Property, plant and equipment

| The Group | At valuation Land $'000 | At cost Buildings $'000 | Plant and equipment $'000 | Motor vehicles $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| At 1 January 2021 | 4,025 | 4,917 | 13,084 | 1,113 | 7 | 23,146 |
| Additions | 548 | 108 | 1,762 | 185 | 4 | 2,607 |
| Acquisition of subsidiary | 1,207 | 1,191 | 882 | 24 | 21 | 3,325 |
| Disposals/write-off | – | (9) | (177) | (6) | (6) | (198) |
| Revaluation | 21,219 | – | – | – | – | 21,219 |
| Effect on movements in exchanges rates | (234) | 19 | 61 | 5 | – | (149) |
| At 31 December 2021 | 26,765 | 6,226 | 15,612 | 1,321 | 26 | 49,950 |
| Additions | 507 | 268 | 3,250 | 307 | 106 | 4,438 |
| Disposals/write-off | (31) | (47) | (1,637) | (26) | – | (1,741) |
| Revaluation | 8,806 | – | – | – | – | 8,806 |
| Effect on movements in exchanges rates | (678) | 62 | 33 | (13) | (12) | (608) |
| **At 31 December 2022** | 35,369 | 6,509 | 17,258 | 1,589 | 120 | 60,845 |
| Accumulated depreciation and impairment loss | | | | | | |
| At 1 January 2021 | – | 1,349 | 8,302 | 725 | – | 10,376 |
| Depreciation for the year | – | 405 | 1,513 | 116 | – | 2,034 |
| Disposals/write-off | – | (3) | (115) | (6) | – | (124) |
| Effect on movements in exchange rates | – | 5 | 40 | 4 | – | 49 |
| At 31 December 2021 | – | 1,756 | 9,740 | 839 | – | 12,335 |
| Depreciation for the year | – | 509 | 2,132 | 169 | – | 2,810 |
| Disposals/write-off | – | (13) | (1,577) | (26) | – | (1,616) |
| Effect on movements in exchange rates | – | (32) | 73 | (5) | – | 36 |
| **At 31 December 2022** | – | 2,220 | 10,368 | 977 | – | 13,565 |
| Net carrying amount | | | | | | |
| **At 31 December 2022** | 35,369 | 4,289 | 6,890 | 612 | 120 | 47,280 |
| At 31 December 2021 | 26,765 | 4,470 | 5,872 | 482 | 26 | 37,615 |

## 3 Property, plant and equipment (cont'd)

### Security

As at 31 December 2022, property, plant and equipment of the Group with carrying amounts of $859,000 (2021 - $7,711,000) have been pledged to secure bank loans (see Note 14).

### Depreciation

Depreciation for the year is charged to the accounts stated as follows:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Biological assets | 245 | 574 |
| Inventories | 436 | 597 |
| Cost of sales (Note 18) | 2,104 | 841 |
| Administrative expenses (Note 19) | 25 | 22 |
| | 2,810 | 2,034 |

### Valuation of land

As at 31 December 2022, the Group's freehold land measured using the revaluation model since 2021, comprised 741 land plots with a total area of 19,595 hectares. These freehold land mainly related to agricultural land located in the Rostov and Volgograd regions of the Russian Federation. Had the freehold land been carried at historical costs, the carrying amount would have been $6,295,000 (2021 - $5,791,000).

The carrying amounts of the freehold land as at the reporting date were based on independent valuations undertaken by an independent valuer, having appropriate professional qualifications and recent experience in the location and category of land being valued.

The fair value measurement for the freehold land has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. There were no transfers between the levels in the fair value hierachy.

## 4 Right-of-use assets / lease liabilities

### Right-of-use assets

| The Group | Land plots $'000 | Agricultural equipment $'000 | Total $'000 |
|---|---|---|---|
| **2022** | | | |
| Balance at 1 January | 5,881 | 112 | 5,993 |
| Depreciation charge for the year | (1,141) | (69) | (1,210) |
| New leases | 3 | – | 3 |
| Remeasurement of right-of-use assets | (867) | – | (867) |
| Modification of right-of-use assets | 290 | – | 290 |
| Effect on movements in exchange rates | 277 | 10 | 287 |
| Balance at 31 December | 4,443 | 53 | 4,496 |

## 4 Right-of-use assets / lease liabilities (cont'd)

### Right-of-use assets (cont'd)

| The Group | Land plots $'000 | Agricultural equipment $'000 | Total $'000 |
|---|---|---|---|
| **2021** | | | |
| Balance at 1 January | 4,775 | 45 | 4,820 |
| Depreciation charge for the year | (907) | (17) | (924) |
| New leases | 2 | – | 2 |
| Remeasurement of right-of-use assets | 1,121 | – | 1,121 |
| Modification of right-of-use assets | 534 | – | 534 |
| Acquisition of subsidiary | 335 | 85 | 420 |
| Effect on movements in exchange rates | 21 | (1) | 20 |
| Balance at 31 December | 5,881 | 112 | 5,993 |

As at 31 December 2022, the Group leased 440 land plots with a total area of 41,879 hectares with lease terms between 1 and 17 years (2021 - 1 and 17 years) related to agricultural land located in the Rostov and Volgograd regions of the Russian Federation.

Depreciation for the year is charged to the accounts stated as follows:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Biological assets | 245 | 299 |
| Inventories | 436 | 301 |
| Cost of sales (Note 18) | 529 | 324 |
| | 1,210 | 924 |

### Lease liabilities

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Undiscounted lease payments due: | | |
| - Not later than one year | 1,769 | 1,861 |
| - Later than one year and not later than five years | 4,745 | 5,701 |
| - More than five years | 1,537 | 2,149 |
| | 8,051 | 9,711 |
| Less: Unearned interest costs | (2,593) | (3,192) |
| | 5,458 | 6,519 |
| Non-current | 4,283 | 5,396 |
| Current | 1,175 | 1,123 |
| | 5,458 | 6,519 |

The Group leases land plots and agricultural equipment which are secured by the lessors' title to the leased assets. Total cash flows for all leases in the current financial year amounted to $479,000 (2021 - $184,000).

As at 31 December 2022, the Group's short-term commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the financial year.

The Group's lease liabilities are secured by the lessors' title to the lease assets.

**4 Right-of-use assets / lease liabilities (cont'd)**

**Amounts recognised in profit or loss**

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Interest expense on lease liabilities (Note 21) | (834) | (735) |
| Income from remeasurement and modification of lease liabilities (Note 21) | 77 | 18 |
| | (757) | (717) |

**5 Investments in subsidiaries**

As at 31 December 2022 and 31 December 2021, the subsidiaries of the Group are as follows:

| Name of subsidiaries | Principal place of business | Ownership interest 2022 % | Ownership interest 2021 % | Principal activities |
|---|---|---|---|---|
| LLC Don Agro | Russia | 100 | 100 | Production of agricultural products |
| JSC Selkhoztechnika | Russia | 91.8 | 91.8 | Lease of assets |
| JCS Rassvet | Russia | 86.2 | 86.2 | Lease of assets |
| JSC Don-Agro | Russia | 100 | 100 | Holding company |
| JSC Tetra | Russia | 100 | 100 | Holding company |
| LLC Degtevskoe | Russia | 98.4 | 98.4 | Lease of assets |
| LLC Happy Cow | Russia | 100 | 100 | Construction of livestock building |
| LLC Volgo-Agro | Russia | 99.9 | 99.9 | Production of agricultural products |
| LLC Rav Agro-Rost | Russia | – | 100 | Production of agricultural products |

(i) The subsidiaries of the Group are audited by Beterra JSC (Russia) for the purpose of consolidation.

(ii) The subsidiaries of the Group have non-controlling interest that are not material to the Group.

(iii) LLC Rav Agro-Rost was wound-up during the year and its assets/liabilities were transferred/assumed by LLC Don Agro.

## 5 Investments in subsidiaries (cont'd)

***Acquisition of subsidiary***

On 23 July 2021, the Group acquired 100.00% of equity shares of LLC Rav Agro-Rost from LLC Agro Proekt for an aggregate consideration $2,636,000 that was settled in cash. This acquisition resulted in bargain purchase of $2,567,000 primarily due to geographical location of land plots leased by the acquired entity.

| | Note | 2021 $'000 |
|---|---|---|
| Property, plant and equipment | 3 | 3,325 |
| Right-of-use assets | 4 | 420 |
| Biological assets | 7 | 1,894 |
| Current tax assets | | 135 |
| Inventories | | 468 |
| Trade and other receivables | | 18 |
| Loans and borrowings | | (194) |
| Lease liabilities | | (420) |
| Provisions | 16 | (27) |
| Trade and other payables | | (416) |
| Net assets acquired | | 5,203 |
| Total consideration transferred | | 2,636 |
| Bargain purchase from acquisition of subsidiary | | 2,567 |

Effect on cash flows of the Group

| | 2021 $'000 |
|---|---|
| Cash paid | 2,636 |
| Less: cash and cash equivalents in subsidiary acquired | – |
| Net cash outflow from acquisition of subsidiaries | 2,636 |

The Company's investments in subsidiaries are assessed for impairment at each reporting date. The Company evaluates, amongst other factors, the duration and extent to which the fair value of its investment in subsidiaries is less than its cost. Changes in the financial health of and near-term business outlook for the investments, including factors such as industry and sector performance, technology and operational and financial cash flows, will impact the recoverable amount of its investment in subsidiaries.

<u>Impairment assessment</u>

During the current financial year, the Group reported losses before tax of $1,776,000 for the financial year ended 31 December 2022, attributable to the Group's Crops segment (comprising the LLC Don Agro and LLC Volgo-Agro cash-generating units ("CGUs")) which reported losses of $2,816,000 arising due to the oversupply of grain arising from the record-breaking grain harvest and continued geopolitical uncertainties from the ongoing Russian-Ukraine war.

## 5 Investments in subsidiaries (cont'd)

Impairment assessment (cont'd)

The recoverable amounts of these CGUs were based on their value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGUs. The estimated recoverable amounts of the CGUs are higher than the carrying values of the CGUs. The key assumptions used in the estimation of the recoverable amount are set out below.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources:

| The Group | 2022<br>% |
|---|---|
| Pre-tax discount rate | 15.2 |
| Terminal value growth rate | 4.0 |

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted-average cost of capital. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make. Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years.

As at 31 December 2022, the estimated recoverable amount of the CGUs exceeded their carrying amount by approximately $39,568,000 and no impairment was recorded.

## 6 Goodwill

| The Group | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Balance at 1 January | 465 | 462 |
| Effect on movements in exchange rates | 6 | 3 |
| Balance at 31 December | 471 | 465 |

**Impairment testing for CGUs containing Goodwill**

Goodwill which arose from the acquisition of LLC Volgo-Agro, has been allocated to the Group's CGU LLC Volgo-Agro.

During the current financial year, the Group reported losses before tax of $1.8 million for the financial year ended 31 December 2022, attributable to the Group's Crops segment (comprising the LLC Don Agro and LLC Volgo-Agro cash-generating units "CGUs") which reported losses of $2.8 million arising due to oversupply of grain arising from the record-breaking grain harvest and continued geopolitical uncertainties from the ongoing Russian-Ukraine war.

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources:

## 6 Goodwill (cont'd)

**Impairment testing for CGUs containing Goodwill (cont'd)**

| The Group | 2022 % | 2021 % |
|---|---|---|
| Pre-tax discount rate | 15.2 | 15.2 |
| Terminal value growth rate | 4.0 | 3.5 |

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted-average cost of capital. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make. Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years.

As at 31 December 2022, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately $3,576,000 (2021 - $2,816,000), respectively and no impairment was recorded.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

## 7 Biological assets

| The Group | | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Non-current - Livestock | (a) | 10,092 | 7,176 |
| Permanent grass | (b) | 631 | 381 |
| Non-current | | 10,723 | 7,557 |
| Current - crops | (c) | 8,739 | 9,757 |
| | | 19,462 | 17,314 |

### a) *Biological assets - livestock*

In 2022, the Group produced approximately 15,582 thousand litres of milk (2021 - 15,979 thousand litres).

Changes in biological assets - livestock balances are disclosed below:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Balance at 1 January | 7,176 | 7,503 |
| Acquisition of subsidiary | – | 146 |
| Increase due to cost on growth | 13,668 | 10,261 |
| Disposal due to mortality | (28) | (44) |
| Decrease due to sales of livestock | (1,804) | (1,058) |
| Decrease due to sales of milk | (9,526) | (7,641) |
| Gain/ (loss) from changes in fair value of biological assets | 866 | (2,046) |
| Effect on movements in exchange rates | (260) | 55 |
| **Balance at 31 December - non-current** | 10,092 | 7,176 |

**7 Biological assets (cont'd)**

***(b) Biological assets - permanent grass***

Changes in biological assets - permanent grass balances are disclosed below:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Balance at 1 January | 381 | 304 |
| Increase due to costs on growing crops | 1,207 | 869 |
| Decrease of crops due to harvest | (931) | (793) |
| Effect on movements in exchange rates | (26) | 1 |
| Balance at 31 December - non-current | 631 | 381 |

***(c) Biological assets - crops***

In 2022 and 2021, the Group cultivated wheat, sunflower, corn and other crops. In 2022, the Group harvested approximately 89,108 tons of winter wheat (2021 - 72,240 tons) and 17,427 tons of sunflower (2021 - 18,949 tons).

As at 31 December, the unharvested crops are represented by the following types:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Winter wheat | 8,739 | 9,734 |
| Corn | – | 23 |
| **Balance at 31 December - current** | 8,739 | 9,757 |

Changes in biological assets - crops balances are disclosed below:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Balance at 1 January | 9,757 | 7,444 |
| Increase due to costs on growing crops | 29,644 | 19,659 |
| Acquisition of subsidiary (Note 5) | – | 1,748 |
| Gain arising from changes in fair value of biological assets | 805 | 12,002 |
| Decrease of crops due to harvest | (31,751) | (31,120) |
| Effect on movements in exchange rates | 284 | 24 |
| **Balance at 31 December - current** | 8,739 | 9,757 |

**Risk management strategy related to agriculture activities**

The Group is exposed to the following risks related to its crops and livestock:

Regulatory and environmental risks

The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems are in place to manage those risks.

**7 Biological assets (cont'd)**

**Risk management strategy related to agriculture activities (cont'd)**

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the prices and sales volume of crops and milk products. Whenever possible, the Group manages this risk by aligning its production volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that the projected harvest and milk volumes are consistent with expected demand.

Climate and other risks

The Group's crops are exposed to the risk of damage from climatic changes and diseases. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group does not insure itself against failure of crops.

**Measurement of fair values**

Fair value hierarchy

The fair value measurements for the crops and livestock have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

Level 3 fair value

The following table shows a breakdown of the total gains/(losses) recognised in respect of Level 3 fair values.

| **The Group** | **2022 $'000** | **2021 $'000** |
|---|---|---|
| (Loss)/gain from change in fair value of biological assets | | |
| - Change in fair value (realised) | (2,926) | 2,728 |
| - Change in fair value (unrealised) | 4,597 | 7,228 |
| | 1,671 | 9,956 |
| **(Loss)/gain included in other comprehensive income** | | |
| Effect of movements in exchange rates | (2) | 80 |

## 7 Biological assets (cont'd)

### Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring Level 3 fair values of biological assets, as well as the significant unobservable inputs used:

| Type | Valuation technique | Significant unobservable inputs | inputs and fair value measurement |
|---|---|---|---|
| Bearer livestock: milk cow<br>• Number of dairy cows –2,098 (2021 - 2,191)<br>• Number of calves and heifers – 2,218 (2021 - 2,242) | *Discounted cash flow*: Fair value is determined using the cash flow model discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset. The cash flow model is based on the physiological characteristics of the animals and management expectations concerning the potential productivity. | • Length of lactation period (years) – 2.80 (2021 - 2.43)<br>• Herd average daily milk yield (litres) – 19.78 (2021 - 20.03)<br>• Market prices for milk in the same region (in RUB/litre excluding VAT) – 39.04 (2021 - 39.32)<br>• Risk-adjusted discount rate – 15.2% (2021 - 15.2%) | The estimated fair value would increase/ (decrease) if:<br>• the lengths of lactation period were longer/ (shorter);<br>• the herd average daily milk yields were higher/ (lower);<br>• the market prices for milk in the same region were higher/ (lower); or<br>• the risk-adjusted discount rates were lower/ (higher). |
| Crops: winter wheat<br>• Plant area (hectare) – 18,573 (2021 - 24,032) | *Discounted cash flow*: The valuation model considers the present value of the net cash flows expected to be generated by the crops that are in growing stage as at the year ended. The cash flow projection includes the planted area, expected yield, market price and future cost to grow and sell. The expected net cash flows are discounted using a risk-adjusted discount rate. | • Market prices for crop in the same region (in RUB/tonne excluding VAT)<br>– LLC Don Agro – 13,445 (2021 – 14,958)<br>– LLC Volgo Agro – 11,311 (2021 – 13,188) – LLC Rav Agro-Rost – Nil (2021 – 14,958)<br>• Risk-adjusted discount rate – 15.2% (2021 – 15.2%)<br>• Expected yield (tonne/hectare):<br>– LLC Don Agro- 4.00 (2021 – 3.65)<br>– LLC Volgo-Agro – 2.70 (2021 – 2.25)<br>– LLC Rav Agro-Rost – Nil (2021 – 3.65)<br>• Future cost to grow and sell (in RUB/hectare)<br>– LLC Don Agro – 9,456 (2021 – 15,630)<br>– LLC Volgo-Agro – 6,962 (2021 – 6,415)<br>– LLC Rav Agro-Rost – Nil (2021 – 23,859) | The estimated fair value would increase (decrease) if:<br>• the expected yields were higher/ (lower);<br>• the market prices for crops in the same region were higher/ (lower);<br>• future cost to grow and sell were lower/ (higher); or • the risk-adjusted discount rates were lower/ (higher). |

## 8 Inventories

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Raw materials and consumables | 3,817 | 3,544 |
| Work-in-progress | 2,732 | 2,090 |
| Finished goods – agricultural produce | 14,101 | 12,102 |
| | 20,650 | 17,736 |
| Less: Provision for inventory obsolescence | (314) | (187) |
| | 20,336 | 17,549 |

Work-in-progress is mainly represented by the cost incurred after the harvest of winter wheat, corn, sunflower and other crops.

In 2022,

(a) Inventories of $21,757,000 (2021 - $17,339,000) were recognised as an expense and included in "cost of sales" (Note 18).

(b) Inventory written-down of $427,000 (2021 - $457,000) due to harvest failure or quality issues were recognised as an expense and included in "cost of sales" (Note 18).

(c) Provision made for inventory obsolescence on slow-moving and obsolete inventories of $127,000 (2021 - $165,000) were recognised as an expense and are included in "operating expenses" (Note 20).

## 9 Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Trade receivables | 106 | 55 | – | – |
| Other receivables | 74 | 32 | 271 | 88 |
| Dividends receivable | – | – | 1,833 | 2,973 |
| Less: Impairment losses | (7) | (4) | – | – |
| Financial assets at amortised cost | 173 | 83 | 2,104 | 3,061 |
| Advances paid to suppliers | 1,538 | 2,987 | 5 | 8 |
| Current tax assets | 5 | 41 | – | – |
| Value-added tax ("VAT") receivables | 1,140 | 306 | – | – |
| | 2,856 | 3,417 | 2,109 | 3,069 |

In 2021, a wholly-owned subsidiary declared dividends amounting to RUB 174,108,380 ($2,973,000) to the Company for the financial year ended 31 December 2021. US$867,000 ($1,165,000) was received during the year ended 31 December 2022.

The Group's exposure to credit and currency risks, and impairment losses for trade and other receivables are disclosed in Note 28.

## 10 Cash and cash equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Petty cash | 4 | 3 | – | – |
| Bank balances | 1,702 | 1,978 | 1,524 | 1,544 |
| Short-term bank deposits with maturities of three months or less | 1,458 | 4,788 | – | – |
| | 3,164 | 6,769 | 1,524 | 1,544 |

During the year, interest rates relating to short-term bank deposits with maturities of three months or less with financial institutions range between 6.02% and 7.6% (2021 - 6.8% and 8.6%).

## 11 Share capital

| | No. of Shares | | The Group | | The Company | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | | $'000 | $'000 | $'000 | $'000 |
| **Issued and fully paid:** | | | | | | |
| At beginning of year and at end of year | 150,272,700 | 150,272,700 | 40,667 | 40,667 | 40,911 | 40,911 |

In arriving at the share capital of the Group, listing expenses incurred in 2020 by the subsidiaries of $244,000 have been capitalised against the share capital of the Company in accordance with SFRS(I) 1-32 *Financial Instruments: Presentation*.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Dividends

| **The Group** | **2021** |
|---|---|
| | **$'000** |
| Dividends per share declared: | |
| - 0.85 cents in respect of FY2021 | 1,280 |
| - 1.16 cents in respect of FY2020 | 1,739 |
| | 3,019 |

### Capital management

The primary objective of the Group's capital management is to maximise participants' return while sustaining a reasonable level of financial risks. The Group does not have a quantified target level of participants' return or capital ratios. To fulfil capital management objectives while providing for external financing of regular business operations and investment projects, the Group's management compares expected return of these operations and projects with the costs of debt and maintains prudent financial risk management as described above. The amount of capital that the Group managed as at 31 December 2022 and 2021 was $72,887,000 and $67,644,000, respectively. The Group considers the amount of equity attributable to the owners of the Company as capital.

## 11 Share capital (cont'd)

### Capital management (cont'd)

The Group monitors capital on the basis of net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio. Net debt is calculated as total borrowings (including current and non-current loans, borrowings and lease liability as shown in the consolidated statement of financial position) less cash and cash equivalents.

As at 31 December 2022 and 2021, net debt to EBITDA ratio is calculated as follows:

| The Group | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Lease liabilities (Note 4) | 5,458 | 6,519 |
| Loans and borrowings (Note 14) | 6,170 | 6,751 |
| Less: Cash and cash equivalents (Note 10) | (3,164) | (6,769) |
| Net debt (A) | 8,464 | 6,501 |
| (Loss)/profit from operating activities | (908) | 11,383 |
| Depreciation of property, plant and equipment and right-of-use expenses (Notes 18 and 19) | 3,427 | 2,577 |
| EBITDA (B) | 2,519 | 13,960 |
| Net debt to EBITDA ratio (A)/(B) | 3.36 | 0.47 |

## 12 Reserves

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2022<br>$'000 | 2021<br>$'000 | 2022<br>$'000 | 2021<br>$'000 |
| Capital reserve | (a) | (10,450) | (10,450) | (21,270) | (21,270) |
| Revaluation reserve | (b) | 24,020 | 16,975 | – | – |
| Foreign currency translation reserve | (c) | (7,373) | (7,539) | – | – |
| | | 6,197 | (1,014) | (21,270) | (21,270) |

(a) Capital reserve

Capital reserves mainly relates to the merger reserve recognised in connection with the execution of the share swap agreement between the Company and Vallerd Investments Limited as a result of the Restructuring Exercise (Note 1.2) and transactions with former shareholders, which has been accounted for as a transaction with shareholders in their capacity as shareholders in accordance with SFRS(I) 1-1 – *Presentation of Financial Statements.*

(b) Revaluation reserve

The revaluation reserve arises on the revaluation of the Group's freehold land. Where revalued land is sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings. The revaluation reserve is not available for distribution to the Company's shareholders.

**12 Reserves (cont'd)**

(c) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**13 Deferred tax liabilities**

The movements in the deferred tax account are as follows:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| At 1 January | 4,195 | – |
| Revaluation of property, plant and equipment (Note 3) | 1,761 | 4,244 |
| Effect on movements in exchange rates | (141) | (49) |
| At 31 December | 5,815 | 4,195 |

**14 Loans and borrowings**

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Secured bank loans | 1,131 | 450 |
| Loans from third parties | – | 2 |
| Non-current liabilities | 1,131 | 452 |
| Secured bank loans | 5,039 | 6,298 |
| Loans from third parties | – | 1 |
| Current liabilities | 5,039 | 6,299 |
| | 6,170 | 6,751 |

Secured bank loans received in RUB are secured by pledge of property, plant and equipment (see Note 3).

The Group's exposure to interest rate and liquidity risks related to loans and borrowings is disclosed in Note 28.

In 2022, a subsidiary obtained a waiver of loan covenant from a financial institution prior to distribution of dividends of RUB 111 million to its immediate holding company.

**Terms and debt repayment schedule**

The terms and conditions of outstanding loans and borrowings are as follows:

| | | | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|---|
| | Currency | Nominal interest rate % | Year of maturity | Face value $'000 | Carrying amount $'000 | Face value $'000 | Carrying amount $'000 |
| Secured bank loans | RUB | 2.75%-10.75% | 2022 - 2024 | 6,170 | 6,170 | 6,748 | 6,748 |
| Loans from third parties | RUB | 3% | 2024 | – | – | 3 | 3 |
| | | | | 6,170 | 6,170 | 6,751 | 6,751 |

**14 Loans and borrowings (cont'd)**

**Terms and debt repayment schedule (cont'd)**

Agricultural producers are supported by government through provision of subsidised loans with a reduced interest rate by the government approved banks. Low interest rate is provided so long as the Group complies with the specific conditions in relation to agricultural companies operating in the Russian Federation but could be cancelled in case of violation or lack of government financial support provided to the bank. The lower interest rate of 2.75% (2021 - 2.88%) per annum is treated as government grants in 2022.

In the current financial year, government grant income amounting to $571,000 (2021 - $250,000) were received and recognised in "finance costs – government grants compensating finance cost" (see Note 21).

**15 Trade and other payables**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | | |
| Loan to a subsidiary | – | – | 70 | – |
| **Current** | | | | |
| Trade payables | 427 | 412 | – | – |
| Other payables | 337 | 672 | 429 | 537 |
| Payables to employees | 161 | 138 | – | – |
| Dividends payable | 171 | 171 | 171 | 171 |
| Amount due to subsidiary | – | – | – | 70 |
| Financial liabilities at amortised cost | 1,096 | 1,393 | 600 | 778 |
| Advances received from customers | 5,051 | 1,105 | – | – |
| VAT payables | 129 | 184 | – | – |
| Unified Social Tax ("UST") payables | 213 | 134 | | |
| Other taxes payables | 98 | 71 | – | – |
| | 6,587 | 2,887 | 600 | 778 |
| Represented by: | | | | |
| Financial liabilities at amortised cost | 1,096 | 1,393 | 670 | 778 |
| Non-financial liabilities | 5,491 | 1,494 | – | – |
| | 6,587 | 2,887 | 670 | 778 |

The loan to a subsidiary is unsecured, interest bearing of 6.10% per annum and is payable no later than 30 June 2025.

Advances received from customers relate to cash advances received for the purchase of the Group's agriculture produce not delivered at the reporting date.

The Group's exposure to currency risk and liquidity risk related to trade and other payables is disclosed in Note 28.

## 16 Provisions

Provisions were created mainly for employees' unused vacation and year-end bonuses. The unused vacation and year-end bonuses provisions are expected to be utilised within the next 12 months.

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| At 1 January | 628 | 700 |
| Acquisition of subsidiary | – | 27 |
| Provision made for unutilised annual leave (Note 23) | 662 | 679 |
| Reversal of unutilised annual leave no longer required (Note 20) | (60) | (19) |
| Provision made, net | 602 | 660 |
| Provision utilised during the year | (556) | (765) |
| Effect on movements in exchange rates | 4 | 6 |
| At 31 December | 678 | 628 |

## 17 Revenue

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Revenue from sale of crop production | 24,555 | 20,583 |
| Revenue from sale of livestock and milk | 13,228 | 10,263 |
| Revenue from services provided | 153 | 98 |
| | 37,936 | 30,944 |

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

| | |
|---|---|
| **Nature of goods or services** | The Group is growing, processing and distributing agricultural and dairy products, mainly grain and milk at farms. |
| **When revenue is recognised** | Revenue is recognised at a point in time, when the crops, livestock and milk are collected by the customer or delivered to the customer's premises. |
| **Significant payment terms** | Invoices are issued when the products are delivered. Payment for these products is due within period of 10 days. Advance payment is collected from most of the customers upon confirmation of orders. Payment of the outstanding amounts is due within period of 10 days from the date of the products are delivered to the customer. The Group applied the practical expedient not to recognise any financing element as the contracts are typically completed within a year. |

## 18 Cost of sales

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Cost of inventories sold (Note 8(a)) | 21,757 | 17,339 |
| Wages and salaries | 6,616 | 5,100 |
| Depreciation of property, plant and equipment and right-of-use assets | 3,402 | 2,555 |
| Short-term lease expenses | 510 | 266 |
| Growing and harvesting services | 1,438 | 896 |
| Energy utilities | 474 | 418 |
| Other taxes | 149 | 114 |
| Inventories written down (Note 8(b)) | 427 | 457 |
| Repair and maintenance | 846 | 573 |
| Others | 1,449 | 1,307 |
| | 37,068 | 29,025 |

In 2022, wages and salaries comprise of employee benefits recognised as an expense of $3,965,000 (2021 - $3,602,000) (Note 23); and $2,651,000 (2021 - $1,498,000) capitalised as part of biological assets and agricultural produce as at 31 December 2021 and 2020.

In 2022, depreciation comprise of depreciation recognised as an expense of $2,633,000 (2021 - $1,164,000) (Note 3); and $769,000 (2021 - $1,391,000) capitalised as part of biological assets and agricultural produce as at 31 December 2021 and 2020.

## 19 Administrative expenses

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Wages and salaries (Note 23) | 1,922 | 1,729 |
| Depreciation of property, plant and equipment (Note 3) | 25 | 22 |
| Information, consulting and other professional services | 1,075 | 1,268 |
| Short-term lease expenses | 67 | 48 |
| Repair costs | 31 | 18 |
| Business travel expenses | 59 | 58 |
| Other material expenses | 103 | 102 |
| Others | 161 | 90 |
| | 3,443 | 3,335 |

## 20 Other operating income/(expenses)

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 30 | 46 |
| Government grants received | 1,091 | 887 |
| Gain on extinguishment of liabilities | 26 | 22 |
| Reversal of unutilised annual leave no longer required (Note 16) | 60 | 19 |
| | 1,207 | 974 |
| Bank services | (141) | (102) |
| Impairment loss recognised on trade and other receivables (Note 28) | (3) | (1) |
| Penalties | (27) | (21) |
| Provision for inventory obsolescence (Note 8(c)) | (127) | (165) |
| Other tax expenses | (557) | (137) |
| Other expenses | (356) | (272) |
| | (1,211) | (698) |
| | (4) | 276 |

The Group, as an agricultural producer, recognised government grants amounting to $1,662,000 and $1,138,000 during the years ended 31 December 2022 and 2021, respectively, to subsidise growing and production cost of the Group's biological assets. As at 31 December 2022 and 2021, there were no unfulfilled conditions nor other contingencies attached to these grants, nor significant decreases expected in the level of government grants.

The government grants recognised during the year are attributable to:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Operational activities - other operating income | 1,091 | 887 |
| Financing activities – Government grants compensating finance cost (Note 21) | 571 | 251 |
| | 1,662 | 1,138 |

## 21 Finance income and finance costs

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Interest income | 321 | 173 |
| Income from remeasurement and modification of lease liabilities (Note 4) | 77 | 18 |
| Finance income | 398 | 191 |
| Interest expense | (1,000) | (546) |
| Interest expense on lease liabilities (Note 4) | (834) | (735) |
| Government grants compensating finance cost (Note 14) | 571 | 251 |
| | (1,263) | (1,030) |
| Foreign exchange differences, net | (3) | 68 |
| Finance costs | (1,266) | (962) |
| **Net finance costs** | (868) | (771) |

## 22 Tax expense

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Current year tax expense | 192 | 280 |

**Reconciliation of effective tax rate**

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Loss/(profit) before tax | (1,776) | 10,612 |
| Tax at the domestic rates applicable in the respective jurisdiction (20%) | (355) | 2,122 |
| Tax effect of (losses)/income of agricultural subsidiaries taxed at Nil% | 281 | (2,420) |
| Tax effect of non-deductible expenses | 158 | 155 |
| Withholding tax on dividends | – | 159 |
| Change in unrecognised temporary differences | 108 | 264 |
| | 192 | 280 |

The income tax rate applicable to the majority of the Group's 2022 and 2021 income is 0% as activities were related to agricultural production; other activities are taxed at 20%, respectively.

***Unrecognised deferred tax assets***

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Tax losses | 17,190 | 4,240 |

Due to amendments to the Russian tax legislation starting from 1 January 2017, tax losses carried forward do not expire but may be set off only against 50% of taxable profits. The deferred tax assets are not recognised as there is no evidence of probable future taxable profits related to the Group's non-core activities.

***Unrecognised deferred tax liabilities***

At 31 December 2022 and 2021, deferred tax liabilities associated with the Group's investments in subsidiaries amounted to $8,073,000 and $8,901,000, respectively. These have not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

## 23 Employee benefits

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Salaries and related expenses | 6,710 | 5,369 |
| Contributions to defined contribution plans | 2,146 | 1,637 |
| Provision made for unutilised annual leave | 662 | 679 |
| | 9,518 | 7,685 |

**23 Employee benefits (cont'd)**

Employee benefits expense for the year are charged to the accounts stated as follows:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Biological assets | 1,239 | 1,151 |
| Inventories | 2,392 | 1,203 |
| Cost of sales (Note 18) | 3,965 | 3,602 |
| Administrative expenses (Note 19) | 1,922 | 1,729 |
| | 9,518 | 7,685 |

**24 Related party transactions**

**Key management personnel compensation**

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management received the following remuneration during the year, which is included in employee benefits expense (see Note 23):

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Salaries and related expenses | 885 | 1,082 |
| Contributions to defined contribution plans | 202 | 221 |
| | 1,087 | 1,303 |

***Guarantees***

At 31 December 2022 and 2021, the Group received a number of guarantees from a related party in connection with certain bank loans obtained by the Group amounting to $6,170,000 and $6,748,000, respectively.

**25 (Loss)/earnings per share**

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The number of ordinary shares outstanding from the completion date to the end of the period is the weighted average number of ordinary shares of the Company outstanding during the period.

| The Group | 2022 | 2021 |
|---|---|---|
| (Loss)/profit for the year attributable to owners of the Company ($'000) | (1,984) | 10,321 |
| Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share | 150,272,700 | 150,272,700 |
| Basic and diluted (loss)/earnings per share (cents) | (1.32) | 6.87 |

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective periods.

## 26 Contingencies and commitments

*Insurance*

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, biological assets, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

*Taxation*

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently, the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation in the Russian Federation.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the authorities are successful in enforcing their interpretations, could be significant.

## 27 Operating segments

*Basis of segmentation*

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations in each of the Group's reportable segment.

| **Reportable segments** | **Operations** |
|---|---|
| Crops | It includes production and sale of agriculture produce in the Russian Federation, mainly winter wheat, sunflower and corn. |
| Livestock | It includes the breeding of dairy cows for milk production and sale of livestock. |

The Group's Chief Executive Officer reviews the internal management reports of each division at least quarterly.

Other operations include other non-significant segments. None of these segments met the quantitative thresholds for reportable segments in 2022 and 2021.

There are varying levels of integration between the Crops segment and Livestock segment. This integration includes transfer of harvested crops for production of feed for dairy cow consumption. Inter-segment pricing is determined on an arm's length basis.

**27 Operating segments (cont'd)**

**Information about reportable segments**

Information related to each reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

| | Reportable segments | | | | | |
|---|---|---|---|---|---|---|
| | Crops $'000 | Livestock $'000 | Total $'000 | Others $'000 | Eliminations $'000 | Total $'000 |
| **2022** | | | | | | |
| External revenue | 24,555 | 13,228 | 37,783 | 153 | – | 37,936 |
| Inter-segment revenue | 4,235 | – | 4,235 | – | (4,235) | – |
| Segment revenue | 28,790 | 13,228 | 42,018 | 153 | (4,235) | 37,936 |
| Segment profit/(loss) before tax | (2,816) | 1,286 | (1,530) | (246) | – | (1,776) |
| Other operating (expenses)/income | 417 | (417) | – | (4) | – | (4) |
| Finance income | 260 | 140 | 400 | (2) | – | 398 |
| Finance costs | (1,248) | (18) | (1,266) | – | – | (1,266) |
| Depreciation | (2,870) | (355) | (3,225) | (202) | | (3,427) |
| Segment assets | 81,516 | 16,544 | 98,060 | 20 | – | 98,080 |
| Capital expenditure | 4,111 | 226 | 4,337 | 104 | – | 4,441 |
| Segment liabilities | 22,735 | 2,274 | 25,009 | 184 | – | 25,193 |
| **2021** | | | | | | |
| External revenue | 20,582 | 10,263 | 30,845 | 99 | – | 30,944 |
| Inter-segment revenue | 3,497 | – | 3,497 | – | (3,497) | – |
| Segment revenue | 24,079 | 10,263 | 34,342 | 99 | (3,497) | 30,944 |
| Segment profit/(loss) before tax | 9,972 | 697 | 10,669 | (57) | – | 10,612 |
| Other operating (expenses)/income | (98) | 376 | 278 | (2) | – | 276 |
| Bargain purchase | 1,708 | 851 | 2,559 | 8 | – | 2,567 |
| Finance income | 130 | 65 | 195 | (4) | – | 191 |
| Finance costs | (948) | (14) | (962) | – | – | (962) |
| Depreciation | (2,262) | (262) | (2,524) | (53) | – | (2,577) |
| Segment assets | 74,980 | 14,139 | 89,119 | 25 | – | 89,144 |
| Capital expenditure | 2,424 | 167 | 2,591 | 18 | – | 2,609 |
| Acquisition of subsidiary | 2,627 | 628 | 3,255 | 70 | – | 3,325 |
| Segment liabilities | 19,956 | 1,368 | 21,324 | 176 | – | 21,500 |

**Geographical information**

External customers of the Group are located in the Russian Federation. The Group carries out its operations in the Russian Federation and all the Group's non-current assets are located in the Russian Federation.

**27 Operating segments (cont'd)**

**Major customers**

The following are major customers with revenue equal to more than 10% of the Group's total revenue during the year:

| The Group | 2022 $'000 | 2021 $'000 |
|---|---|---|
| LLC Grain Service | 9,519 | 12,001 |
| JSC Voronezhsky Milk Combinat | 10,845 | 9,095 |
| LLC MEZ Yug Rusi | 10,052 | – |
| | 30,416 | 21,096 |

**28 Financial risk management objectives and policies**

**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing those risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counter party to settle its financial and contractual obligations to the Group, as and when they fall due. Management has a credit policy in place which establishes credit limit for customers and monitors their balances on an ongoing basis.

***Trade and other receivables, and cash and cash equivalents***

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Trade and other receivables | 9 | 173 | 83 | 2,104 | 3,061 |
| Cash and cash equivalents | 10 | 3,164 | 6,769 | 1,524 | 1,544 |
| | | 3,337 | 6,852 | 3,628 | 4,605 |

**28 Financial risk management objectives and policies (cont'd)**

**Credit risk (cont'd)**

***Trade and other receivables, and cash and cash equivalents (cont'd)***

Exposure to credit risk (cont'd)

The maximum exposure to credit risk for financial assets at the reporting date by customer type and geographical segment was:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Corporate customers | 106 | 55 | – | – |
| Financial institutions | 3,164 | 6,769 | 1,524 | 1,544 |
| Others | 67 | 28 | 2,104 | 3,061 |
| | 3,337 | 6,852 | 3,628 | 4,605 |
| Singapore | 1,529 | 1,551 | 1,524 | 1,544 |
| Russian Federation | 1,808 | 5,301 | 2,104 | 3,061 |
| | 3,337 | 6,852 | 3,628 | 4,605 |

*Expected credit loss assessment for individual customers*

The Group uses an allowance matrix to measure the ECLs of trade receivables from customer. The allowance matrix is based on actual credit loss experience over the past three years. The ECLs computed is derived from the historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

The Group's historical experience is that the write-offs of trade receivables fall within the recorded allowances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

**28 Financial risk management objectives and policies (cont'd)**

**Credit risk (Cont'd)**

***Trade and other receivables, and cash and cash equivalents (cont'd)***

Exposure to credit risk (cont'd)

*Expected credit loss assessment for individual customers (cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables:

| The Group | Weighted average loss rate | Gross | Impairment | Credit-impaired |
|---|---|---|---|---|
| | % | $'000 | $'000 | |
| **At 31 December 2022** | | | | |
| Not past due | – | 173 | – | No |
| Between 1 to 365 days | – | – | – | No |
| More than one year | – | 7 | (7) | Yes |
| | – | 180 | (7) | |
| **At 31 December 2021** | | | | |
| Not past due | *% | 83 | – | No |
| Between 1 to 365 days | *% | – | – | No |
| More than one year | 100% | 4 | (4) | Yes |
| | | 87 | (4) | |
| **The Company** | | | | |
| **At 31 December 2022** | | | | |
| Not past due | *% | 2,104 | – | No |
| **At 31 December 2021** | | | | |
| Not past due | *% | 3,061 | – | No |

* The weighted average loss rate was negligible

**Movement in allowance for impairment in respect of trade and other receivables**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

| The Group | Lifetime ECL - credit impaired 2022 $'000 | 2021 $'000 |
|---|---|---|
| At 1 January | (4) | (3) |
| Impairment loss recognised | (3) | (1) |
| At 31 December | (7) | (4) |

**28 Financial risk management objectives and policies (cont'd)**

**Cash and cash equivalents**

Cash and bank balances are placed with banks and financial institutions which are regulated. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and low credit risk of the exposures. The amount of allowance on cash and cash equivalents was negligible.

**Liquidity risk**

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

*Risk management policy*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Management believes that the Group will have the continued support of its creditor-banks to renew its short-term loans as and when they fall due.

The following are the expected contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

| | | ← Contractual undiscounted cash flows → | | | |
|---|---|---|---|---|---|
| | Carrying amount $'000 | Total $'000 | Within 1 year $'000 | Within 1 to 5 years $'000 | More than 5 years $'000 |
| **The Group** | | | | | |
| **2022** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Lease liabilities (Note 4) | 5,458 | 8,051 | 1,769 | 4,745 | 1,537 |
| Loans and borrowings (Note 14) | 6,170 | 6,656 | 5,396 | 1,260 | – |
| Trade and other payables (Note 15) | 1,096 | 1,096 | 1,096 | – | – |
| | 12,724 | 15,803 | 8,261 | 6,005 | 1,537 |
| **2021** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Lease liabilities (Note 4) | 6,519 | 9,711 | 1,861 | 5,701 | 2,149 |
| Loans and borrowings (Note 14) | 6,751 | 7,046 | 6,560 | 483 | 3 |
| Trade and other payables (Note 15) | 1,393 | 1,393 | 1,393 | – | – |
| | 14,663 | 18,150 | 9,814 | 6,184 | 2,152 |
| **The Company** | | | | | |
| **2022** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables (Note 15) | 670 | 670 | 600 | 70 | – |
| **2021** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables (Note 15) | 778 | 778 | 778 | – | – |

**28 Financial risk management objectives and policies (cont'd)**

**Market price risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group does not hedge its exposure to changes in interest rates on interest-bearing borrowings.

| | Nominal amount | |
|---|---|---|
| | **2022** | **2021** |
| **The Group** | **$'000** | **$'000** |
| **Fixed rate instruments** | | |
| Loans and borrowings | 6,170 | 6,751 |
| Lease liabilities | 5,458 | 6,519 |
| | 11,628 | 13,270 |

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has minimal exposure to foreign currency risks as transactions are mainly denominated in the respective functional currencies of the Group entities. The currencies in which these transactions are primarily denominated are the Euro and United States Dollar. The changes in the exchange rates at the reporting date would not significantly affect profit or loss and equity.

**29. Fair value of financial instruments**

**(a) Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of non-current financial liabilities approximate their fair values.

**29 Fair value of financial instruments (Cont'd)**

**(b) Accounting classification and fair value**

The carrying amounts and fair values of financial assets and financial liabilities are as follows:

| The Group | Amortised cost $'000 | Other financial liabilities $'000 | Total $'000 |
|---|---|---|---|
| **2022** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables (Note 9) | 173 | – | 173 |
| Cash and cash equivalents (Note 10) | 3,164 | – | 3,164 |
| | 3,337 | – | 3,337 |
| **Financial liabilities not measured at fair value** | | | |
| Lease liabilities (Note 4) | – | 5,458 | 5,458 |
| Loans and borrowings (Note 14) | – | 6,170 | 6,170 |
| Trade and other payables (Note 15) | – | 1,096 | 1,096 |
| | – | 12,724 | 12,724 |
| **2021** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables (Note 9) | 83 | – | 83 |
| Cash and cash equivalents (Note 10) | 6,769 | – | 6,769 |
| | 6,852 | – | 6,852 |
| **Financial liabilities not measured at fair value** | | | |
| Lease liabilities (Note 4) | – | 6,519 | 6,519 |
| Loans and borrowings (Note 14) | – | 6,751 | 6,751 |
| Trade and other payables (Note 15) | – | 1,393 | 1,393 |
| | – | 14,663 | 14,663 |
| **The Company** | | | |
| **2022** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables (Note 9) | 2,104 | – | 2,104 |
| Cash and cash equivalents (Note 10) | 1,524 | – | 1,524 |
| | 3,628 | – | 3,628 |
| **Financial liabilities not measured at fair value** | | | |
| Trade and other payables (Note 15) | – | 670 | 670 |
| **2021** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables (Note 9) | 3,061 | – | 3,061 |
| Cash and cash equivalents (Note 10) | 1,544 | – | 1,544 |
| | 4,605 | – | 4,605 |
| **Financial liabilities not measured at fair value** | | | |
| Trade and other payables (Note 15) | – | 778 | 778 |

## 30 Ongoing geopolitical uncertainties

Ongoing geopolitical tensions with Ukraine have resulted in sanctions introduced on Russia by the United States of America, the European Union and some other countries. Sanctions and counter measures have increased the level of economic uncertainty in the Russian business environment. In 2022, Russia collected a record-breaking harvest of wheat. This, combined with logistic challenges due to the geopolitical tensions and stronger Russian rouble resulted in lower prices for agricultural products within Russia. Export volumes started to recover and grow only in the end of 2022. Accordingly, the export volume for 2023 is expected to be higher. Lower acreage of winter wheat sown, due to continuous rains in the autumn of 2022 in some regions of Russia, is expected to result in a decrease harvest in 2023. Management expects that these factors combined with a significantly lower acreage of winter wheat sown in Ukraine and gradual decrease of Russian rouble will support prices in 2023. Furthermore, an expected decrease in prices for natural gas will reduce the price of fertilisers which is expected to improve the Group's profit margins. The Group also expects a slight increase in average milk prices and feed costs as a result of possible increase in agricultural product prices. The Group expects a slight increase in the gross margin in dairy segment in 2023 due to the slowdown in the growth of inflation and renewal of logistic supply chains.

# ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-ELECTION**

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to the retiring directors is set out below and to be read in conjunction with their respective biographies under the section entitled "Board of Directors" in the Annual Report 2022:

| **Name of director** | **Edwin Tham Soong Meng** | **Ravi Chidambaram** |
|---|---|---|
| Date of Appointment | 28 June 2019 | 28 June 2019 |
| Date of last re-appointment (if applicable) | 24 June 2020 | 29 April 2021 |
| Age | 58 | 60 |
| Country of principal residence | Russian Federation | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process) | The Board having considered the NC's recommendations, the qualifications and working experience of Mr Edwin Tham Soong Meng, is of the view that he has the requisite experience and capabilities and approved his re-appointment as Independent Director of the Company. | The Board having considered the NC's recommendations, the qualifications and working experience of Mr Ravi Chidambaram, is of the view that he has the requisite experience and capabilities and approved his re-appointment as Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Independent Director, Chairman of the RC and a member of the ARC and the NC | Lead Independent Director, Chairman of the NC and member of the ARC and the RC |
| Professional qualifications | Bachelor of Laws (Honours) Solicitor (England and Wales)<br>Advocate & solicitor (Singapore)<br>Attorney-at-law (New York) | BA, HONOURS;<br>MBA;<br>MA |
| Working experience and occupation(s) during the past 10 years | - Danilov & Partners – 2015 to 2022<br>- Kerensk Farm LLC – 2016 to present<br>- Allen & Overy Legal Services – 2001 to 2015<br>- Ingvarr Advisory & Trust - 2022 to present | - TC Capital Pte. Ltd. – President - 2002 to present |
| Shareholding interest in the listed issuer and its subsidiaries | Nil | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Nil | Nil |
| Conflict of interest (including any competing business) | Nil | Nil |
| Undertaking (in the format set out in Appendix 7H) under Rule 720[1] has been submitted to the listed issuer | Yes | Yes |

| Name of director | Edwin Tham Soong Meng | Ravi Chidambaram |
|---|---|---|
| **Other Principal Commitments* Including Directorships** | | |
| Past (for the last 5 years) | Partner, Danilov & Partners | Director, Datarama Technology Private Limited |
| Present | Senior Consultant Ingvarr Advisory & Trust<br>Director, Kerensk Farm LLC | President, TC Capital Private Limited<br>Director, Rimm Sustainability Private Limited<br>Director, Watershed Holdings Private Limited<br>Director, Amansa Holdings Private Limited<br>Director, RIMM Japan Inc<br>Director, TC Strategy Private Limited |
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS **SEEKING RE-ELECTION**

| Name of director | Edwin Tham Soong Meng | Ravi Chidambaram |
|---|---|---|
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |

| Name of director | Edwin Tham Soong Meng | Ravi Chidambaram |
|---|---|---|
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- | | |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | No | No |
| In connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS
# **SEEKING RE-ELECTION**

| **Name of director** | **Edwin Tham Soong Meng** | **Ravi Chidambaram** |
|---|---|---|
| **Disclosure applicable to the appointment of Director only** | | |
| Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.<br><br>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | N/A. This is a re-election of a Director. | N/A. This is a re-election of a Director. |

# SHAREHOLDING **STATISTICS**

As at 17 March 2023

| | | |
|---|---|---|
| Issued and fully paid-up share capital | : | S$41,301,100 |
| Class of shares | : | Ordinary shares |
| Number of shares issued | : | 150,272,700 |
| Voting rights | : | One (1) vote per ordinary share (excluding treasury shares and subsidiary holdings) |
| Number of treasury shares and percentage | : | Nil |
| Number of subsidiary holdings and percentage | : | Nil |

**DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS**

| Size of Shareholdings | No. of Shareholders | % of shareholders | No. of Shares | % of Shareholdings |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1000 | 11 | 10.58 | 7,400 | 0.00 |
| 1,001 – 10,000 | 35 | 33.65 | 205,100 | 0.14 |
| 10,001-1,000,000 | 52 | 50.00 | 4,495,700 | 2.99 |
| 1,000,001 and above | 6 | 5.77 | 145,564,500 | 96.87 |
| Grand Total | **104** | **100.00** | **150,272,700** | **100.00** |

**LIST OF 20 LARGEST REGISTERED SHAREHOLDERS**
(as shown in the Register of Members)

| No | Name of Shareholder | No. of Shares | % of Shareholdings |
|---|---|---|---|
| 1. | EVGENY TUGOLUKOV | 117,500,000 | 78.19 |
| 2. | UOB KAY HIAN PTE LTD | 11,247,600 | 7.48 |
| 3. | HSBC (SINGAPORE) NOMINEES PTE LTD | 7,729,300 | 5.14 |
| 4. | RAFFLES NOMINEES (PTE) LIMITED | 6,012,200 | 4.00 |
| 5. | PRIMEPARTNERS CORPORATE FINANCE PTE LTD | 1,874,300 | 1.25 |
| 6. | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,201,100 | 0.80 |
| 7. | PHILLIP SECURITIES PTE LTD | 593,100 | 0.39 |
| 8. | ABN AMRO CLEARING BANK N.V. | 475,900 | 0.32 |
| 9. | DBS NOMINEES PTE LTD | 404,200 | 0.27 |
| 10. | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 330,200 | 0.22 |
| 11. | ROSLI LIM BIN ABDULLAH @ LIM HUI SEONG | 263,200 | 0.18 |
| 12. | KWOK SENG LOON | 200,000 | 0.13 |
| 13. | TIGER BROKERS (SINGAPORE) PTE. LTD. | 152,400 | 0.10 |
| 14. | WU CHUNG SHOU | 142,800 | 0.10 |
| 15. | IFAST FINANCIAL PTE LTD | 138,200 | 0.09 |
| 16. | BIN BOON KIM | 137,300 | 0.09 |
| 17. | ANGELA CHOONG CHIEW FOONG | 136,000 | 0.09 |
| 18. | LEE KANG HOE | 113,000 | 0.08 |
| 19. | TEE HOW YONG | 108,000 | 0.07 |
| 20. | TAN SIANG TANG | 100,000 | 0.07 |
| **Total** | | **148,858,800** | **99.06** |

Based on the information available to the Company as at 17 March 2023, approximately 16.82% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Catalist Rules has been complied with.

# SHAREHOLDING **STATISTICS**

As at 17 March 2023

**LIST OF SUBSTANTIAL SHAREHOLDERS**
(As recorded in the Register of Substantial Shareholders)

| Name of Substantial Shareholders | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| EVGENY TUGOLUKOV | 117,500,000 | 78.19 | – | – |

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Don Agro International Limited ("**Company**") will be held by way of electronic means on Saturday, 29 April 2023 at 4:00 p.m. (Singapore time) for the following purposes:

**As Ordinary Business**

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022, together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Edwin Tham Soong Meng, retiring by rotation under regulation 94 of the Company's Constitution. **(Resolution 2)**

3. To re-elect Mr Ravi Chidambaram, retiring by rotation under regulation 94 of the Company's Constitution. **(Resolution 3)**

4. To approve Directors' fees of S$180,000 for the financial year ending 31 December 2023, payable by the Company in arrears not later than 31 December 2023. **(Resolution 4)**

5. To re-appoint Foo Kon Tan LLP as auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

**As Special Business**

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

**7. <u>Authority to allot and issue shares</u>**

"THAT, pursuant to section 161 of the Companies Act 1967 ("**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all legal requirements under the Companies Act and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in a general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in general meeting, whichever is the earlier."

(See Explanatory Notes) **(Resolution 6)**

**8. Authority to grant options and issue Shares under the Don Agro Employee Share Option Scheme**

"THAT pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to grant options, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the Don Agro Employee Share Option Scheme ("**ESOS**") provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the ESOS, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time, and in this resolution, "subsidiary holdings" has the same meaning ascribed to it in the Catalist Rules."

(See Explanatory Notes) **(Resolution 7)**

**BY ORDER OF THE BOARD**

**CHEN CHUANJIAN, JASON**
**TAN CHING CHING**
Company Secretaries
Singapore

14 April 2023

**Explanatory Notes:**

Resolution 2

If re-elected, Mr Edwin Tham Soong Meng will remain as member of the Audit and Risk Committee, the Nominating Committee and will also remain as Chairman of the Remuneration Committee of the Company. He is considered an independent director pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST.

Resolution 3

If re-elected, Mr Ravi Chidambaram will remain as member of the Audit and Risk Committee and the Remuneration Committee of the Company and will also remain as Chairman of the Nominating Committee of the Company. He is considered an independent director pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST.

Resolution 6

The proposed Resolution 6, if passed, will empower the Directors, from the date of the Annual General Meeting until the next Annual General Meeting of the Company, to issue Shares and/or Instruments up to an aggregate number not exceeding 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings if any, with a sub-limit of 50% for Shares other than on a pro rata basis to shareholders.

Resolution 7

The proposed Resolution 7, if passed, will empower the Directors of the Company, to grant options and to allot and issue Shares upon the exercise of such options in accordance with the ESOS.

**IMPORTANT NOTICE TO SHAREHOLDERS IN RELATION TO THE CONDUCT AND PROCEEDINGS OF THE COMPANY'S AGM ON 29 APRIL 2023 AT 4:00 P.M. (SINGAPORE TIME)**

This AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will NOT be sent to shareholders. Instead, this Notice will be sent to shareholders solely by electronic means via publication at the URL https://conveneagm.sg/donagrointernationalagm2023 and will also be made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

Alternative arrangements relating to shareholders' participation at the AGM are:

(a) observing and/or listening to the AGM proceedings contemporaneously via a "live" audio-visual webcast or a "live" audio-only stream (collectively, "**Live Webcast**") respectively;

(b) submitting questions in advance of, or "live" at, AGM in relation of the resolutions set out in the Notice of AGM; and

(c) voting at the AGM (i) "live" by the shareholders themselves or their duly appointed proxy(ies) (other than the Chairman of the AGM) via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM.

Shareholders may participate at the AGM by taking note of the following steps:

**1. Pre-Registration for the Live Webcast**

A shareholder will be able to follow the proceedings of the AGM through the Live Webcast via mobile phone, tablet, computer or any such electronic device.

In order to do so, shareholders MUST pre-register online at the URL https://conveneagm.sg/donagrointernationalagm2023 by 4:00 p.m. (Singapore time) on 26 April 2023 (the "**Registration Deadline**") to enable the Company to verify their shareholders' status.

Following the verification and upon the closure of pre-registration, authenticated shareholders will receive email instructions to access the Live Webcast of the AGM proceedings by 4:00 p.m. (Singapore time) on 27 April 2023.

Shareholders are reminded that the AGM proceedings are private. Accordingly, shareholders must not forward the abovementioned email instructions to other persons who are not shareholders and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast. In addition, recording of the Live Webcast by shareholders in whatever form is also strictly prohibited.

Shareholders who register by the Registration Deadline but do not receive the abovementioned email instructions by 4:00 p.m. (Singapore time) on 27 April 2023 may contact the Company's technical support by email at vnovikov@donagroint.com for assistance, with the following details included for verification purpose:

(a) Full name of the shareholder; and

(b) His/her/its national registration identity card ("**NRIC**") number/passport number/company registration number.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF and SRS Investors, and who wish to participate in the AGM should, in addition to pre-registering online, contact their relevant intermediary (which would include, in the case of CPF and SRS Investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

**2. Submission of Questions**

In addition to submitting questions "live" at the AGM, shareholders may submit any questions related to the resolutions to be tabled for approval at the AGM via the URL https://conveneagm.sg/donagrointernationalagm2023 or by email at anazaryan@donagroint.com no later than 21 April 2023 (the "**Submission Deadline**").

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF and SRS Investors, can also submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

The Company will endeavour to provide its answers and responses to the substantial and relevant questions received from shareholders relating to the resolutions to be tabled for approval at the AGM by 4:00 p.m, (Singapore time) on 24 April 2023 via publication on (i) the SGXNet at the URL https://www.sgx.com/securities/company-announcements and (ii) the Company's corporate website at the URL http://www.donagroint.com. For substantial and relevant comments, queries and/or questions which the Company is unable to address prior to the AGM, the Company will address them at the AGM.

The minutes of the AGM will thereafter be published on (i) the SGXNet at the URL https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at the URL http://www.donagroint.com; within (1) one month after the date of the AGM. The minutes will include the responses to the substantial and relevant questions raised during the AGM.

**3. Voting by Proxy**

A shareholder (whether individual or corporate) can vote "live" at the AGM. However, if shareholder is unable to attend the AGM by electronic means, such shareholder may appoint a proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the AGM.

The accompanying Proxy Form for the AGM may be accessed at the Company's corporate website at the URL http://www.donagroint.com and at the URL https://conveneagm.sg/donagrointernationalagm2023 and will also be made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

Where a shareholder (whether individual or corporate) appoints a person (including the Chairman of the AGM) as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of such person (including the Chairman of the AGM) as proxy for that resolution will be treated as invalid.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF and SRS Investors, and who wish to appoint the Chairman of the AGM as proxy should contact their relevant intermediary (which would include, in the case of CPF and SRS Investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to submit their votes at least (7) seven working days before the AGM and in any case, no later than 4:00 p.m. (Singapore time) on 20 April 2023.

The Proxy Form, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted to the Company in the following manner:

(a) if submitted by post, be deposited at the registered office of the Company's Share Registrar at

Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#11-02 Singapore 068898;

or

(b) if submitted electronically, be submitted via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

in either case, not less than 72 hours before the time appointed for holding the AGM, i.e. no later than 4:00 p.m. (Singapore time) on 26 April 2023.

A shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).

In the case of shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the Chairman of the AGM as proxy.

4. **Documents for the AGM**

All the documents (including the Annual Report 2022, the proxy form and the Notice of AGM) or information relating to the business of the AGM have been, or will be, published on the URL https://conveneagm.sg/donagrointernationalagm2023 and on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

**IMPORTANT NOTICE:** Due to the constantly evolving COVID-19 situation (and/or pursuant to any legislative amendments and directives or guidelines from government agencies or regulatory authorities), the Company may be required to change its AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNet. Shareholders are advised to check the SGXNet regularly for updates on the AGM.

The Company wishes to thank all shareholders for their patience and co-operation in enabling the Company to hold the AGM with the optimum safe measures.

**Personal Data Privacy**:

By (a) submitting a form appointing the a proxy to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to participate in the proceedings of the AGM via a "live" audio-visual webcast or a "live" audio-only stream, or (c) submitting any question prior to the AGM in accordance with this Notice, the shareholder of the Company consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration by the Company (or its agents or service providers) of the appointment of the proxy(ies) for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to shareholders (or their corporate representatives in the case of shareholders which are legal entities) to participate the proceedings of the AGM and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from shareholders received before the AGM and if necessary, following up with the relevant shareholders in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities

(collectively, the "**Purposes**").

The shareholder of the Company warrants that where he/she/it disclose the personal data of his/her/its proxy to the Company (or its agents or service providers), the shareholder has obtained the prior consent of such proxy for the collection, use and disclosure by the Company (or its agents or services providers) of the personal data of such proxy for the Purposes. The shareholder of the Company agrees that he/she/it will indemnity the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his/her/its break of such warranty.

The shareholder's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

# DON AGRO INTERNATIONAL LIMITED

Company Registration No. 201835258H
(Incorporated in the Republic of Singapore)

## ANNUAL GENERAL MEETING PROXY FORM

**IMPORTANT**

1. The Annual General Meeting of the Company ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will NOT be sent to shareholders. Instead, the Notice of AGM will be sent to shareholders solely by electronic means via publication at the URL https://conveneagm.sg/donagrointernationalagm2023 and will also be available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to:
   (a) attendance at the AGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via a "live" audio-visual webcast or a "live" audio-only stream);
   (b) submission of questions to the Chairman of the AGM in advance of, or "live" at, the AGM, in relation to any resolution set out in the Notice of AGM, and addressing of substantial and relevant questions in advance of, or "live", at the AGM; and
   (c) voting at the AGM (i) "live" by the member or his/her/its duly appointed proxy(ies) (other than the Chairman of the AGM) via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to vote on the member's behalf at the AGM,

   are set out in the accompanying Notice of AGM.
3. To keep physical interactions and COVID-19 transaction risk to a minimum, the Company is not providing for physical attendance by members at the AGM. A member who wishes to exercise his/her/its voting rights at the AGM may:
   (a) (where the member is an individual) vote "live" via electronic means at the AGM, or (whether the member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on his/her/its behalf; or
   (b) (whether the member is an individual or corporate) appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.
4. Please read the notes overleaf which contains instructions on, inter alia, the appointment of a proxy(ies).
5. This proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF and SRS investors.
6. By submitting an instrument appointing a proxy(ies), the member accepts and agrees to the personal data privacy terms set out in this Proxy Form.

*I/We, ____________________________________________ (name),

*NRIC/Passport number/Company registration number ______________________________ of

____________________________________________ (address)

being *a member/members of **DON AGRO INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint the Chairman of the AGM, as *my/our proxy to attend, speak and vote for *me/us on *my/our behalf at the AGM to be convened and held by way of electronic means via a "live" audio-visual webcast or a "live" audio-only stream on Saturday, 29 April 2023 at 4:00 p.m. (Singapore time) and at any adjournment thereof. *I/We direct the Chairman of the AGM to vote for or against or abstain from the Resolutions to be proposed at the AGM as indicated hereunder.

* **Delete accordingly**

| No. | Resolutions | No. of votes for(1) | No. of votes against(1) | Abstain from voting(1) |
|---|---|---|---|---|
| **Ordinary Business** | | | | |
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022, together with the Auditors' Report thereon. | | | |
| 2. | To re-elect Mr Edwin Tham Soong Meng, who is retiring by rotation under regulation 94 of the Company's Constitution. | | | |
| 3. | To re-elect Mr Ravi Chidambaram, who is retiring by rotation under regulation 94 of the Company's Constitution. | | | |
| 4. | To approve Directors' fees of S$180,000 for the financial year ending 31 December 2023, payable by the Company in arrears not later than 31 December 2023. | | | |
| 5. | To re-appoint Foo Kon Tan LLP as auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors of the Company to fix their remuneration. | | | |
| **Special Business** | | | | |
| 6. | To authorise the directors to issue and allot shares and/or instruments pursuant to Section 161 of the Companies Act 1967. | | | |
| 7. | To authorise the directors to grant options and issue shares under the Don Agro Employee Share Option Scheme. | | | |

**Notes:**

(1) If you wish to exercise all your votes "For" or "Against" or "Abstain", please indicate with a tick "√" within the box provided. Alternatively, please indicate the number of votes as appropriate.

(2) In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this __________ day of ________________ 2023.

| Total number of shares in: | Number of shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |
| TOTAL | |

____________________________________________

Signature(s) of Member(s)/Common seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF.**

**Notes to Proxy Form:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. **To keep physical interactions and COVID-19 transmission risk to a minimum, the Company is not providing for physical attendance by members at the AGM. A member who wishes to exercise his/her/its voting rights at the AGM may:**

   (a) **(where the member is an individual) vote "live" via electronic means at the AGM, or (whether the member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on his/her/its behalf; or**

   (b) **(whether the member is an individual or a corporate) appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.**

3. This Proxy Form may be accessed at the Company's corporate website at the URL http://www.donagroint.com and at the URL https://conveneagm.sg/donagrointernationalagm2023 and will also be made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

4. Where a member (whether individual or corporate) appoints a person (including the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM) as proxy for that resolution will be treated as invalid.

5. Investors who hold shares through relevant intermediaries, including investors who buy shares using CPF monies ("**CPF Investor**") or SRS monies ("**SRS Investor**"), and who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective relevant intermediaries, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the AGM and in any case, no later than 4:00 p.m. (Singapore time) on 20 April 2023.

6. A proxy need not be a member of the Company.

7. The Proxy Form appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the Proxy Form appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney duly authorised. Where the Proxy Form appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the Proxy Form appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the Proxy Form, or if the Proxy Form appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.

8. The Proxy Form, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the registered office of the Company's Share Registrar at

   Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
   80 Robinson Road, #11-02 Singapore 068898; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

   in either case, not less than 72 hours before the time appointed for holding the AGM, i.e. no later than 4:00 p.m. (Singapore time) on 26 April 2023.

   A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   **Members are strongly encouraged to submit completed Proxy Forms electronically via email.**

9. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to vote thereat unless his name appears on the Depository Register as at 72 hours before the time appointed for holding the AGM.

10. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:**

By submitting this Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2023.

DonAgro

Company Registration No. : 201835258H